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WORK AND METHODS

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THE
**Railroad Traveling Auditor's
Work and Methods**

THEORY AND PRACTICE

Treats Fully and Authoritatively Upon the Subject
of Auditing Station Accounts at Stations

BY
R. A. DAVENPORT
SAN FRANCISCO

NOVEMBER, 1912

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PREFACE.

In the preparation of a pioneer work upon the work and methods of the Railroad Traveling Auditor, the author has endeavored to outline for the benefit of the profession, the rules and practices which he himself has found the most successful during his experience as a Railroad Traveling Auditor.

The sole purpose of this book is to deal with the subject from the viewpoint of the professional Railroad Traveling Auditor, and to these it is dedicated.

The absence of descriptive detail will render the volume of little value to others, but if it creates sufficient interest to merit a work of a more extensive character it will subsequently be attempted.

In the meantime any readers who may feel disposed to offer suggestions or criticisms in connection with such a work will find their communications promptly acknowledged and given the careful and earnest consideration of the author.

R. A. DAVENPORT.

San Francisco, Cal., 1912.

THE RAILROAD TRAVELING AUDITOR'S WORK AND METHODS

CHAPTER I.

INTRODUCTORY.

It is the object of this work to set forth as clearly and concisely as possible, a few suggestions for the benefit of the Railroad Traveling Auditor. The work and methods of other departments of the railroad service have been described from time to time, and much benefit has been derived from the exchange of ideas and experiences, and it is hoped that similar results will follow a discussion of this particular field of work. The opinions of others upon this subject will be looked forward to with interest, and any comments or suggestions bearing upon the work or methods of the Railroad Traveling Auditor will be welcomed as indicating a desire to bring the profession to the highest degree of efficiency consistent with good practice.

Object of
Work.

It should be borne in mind that the suggestions offered are not put forth with the intention of providing or recommending universal rules for the guidance of Railroad Traveling Auditors; at the present time accounting methods differ too widely for this to be practical, and although the possibility of universal or common standard station accounting is not altogether a visionary or contemplative one, it is too far removed for consideration in this work. This statement must not be accepted, however, as a guarantee that the Interstate Commerce Commission will not prescribe such methods in the near future. The Commission has interested itself in prescribing methods in smaller and more inconsequential things, and the writer lays no claim to the gift of prophecy.

Universal
Accounting
Methods for
Use of
Railroad
Traveling
Auditors.

Also, it is not intended that the personal element should be altogether replaced by rules laid down in preparation for the work, although great value is attached by Railroad Traveling Auditors to the experiences of others. It is hoped, however, that some portion of this work will at least be of value to every Railroad Traveling Auditor, and perhaps others may benefit from a knowledge of the duties performed by them, and profit accordingly. No railroad agent can afford to miss the opportunity to familiarize himself with the work, for the position is not only one to which he may aspire, and does frequently succeed to, but with a thorough knowledge of accounting methods, he may prepare his work in such a manner that it will be satisfactory both to himself or to any Railroad Traveling Auditor who might have occasion to audit it.

Personality
of Railroad
Traveling
Auditor.

Value of
Work to
Railroad
Agents.

Some may take the view that the methods of the Railroad Traveling Auditor are not improved by publicity. To such as take this view a careful study of the rules laid down in this work is recommended, and to anyone engaged in this character of work, who after reading the rules laid down for his guidance, for any reason other than his own lack of confidence or ability, is of the opinion that loopholes are displayed whereby he may be taken advantage of, the suggestion is offered that he seek some other form of occupation more suited to his qualifications and attainments.

Result of
Publicity of
Methods.

The Railroad Traveling Auditor who masters and conscientiously applies the system has nothing to fear from such sources.

The profession of Railroad Traveling Auditor, while by no means a new one, is as yet only on the threshold of its ultimate usefulness; the field is so broad that few even of the most progressive members of the profession, who may have felt the confinement of the present sphere of duties usually delegated to the position, have a real conception of its possibilities, and unfortunately no effort has

Ultimate
Usefulness of
Profession.

been made, except amongst the immediate force of large roads, to interchange ideas and suggestions calculated to advance and improve the effectiveness of existing practices.

The profession of Railroad Traveling Auditor is distinctly an individual one, and can only be attained through a thorough knowledge and training in the business of railroad operation, and it is this particular and indispensable requirement which debars the professional commercial accountant from aspiring to the position, regardless of his ability as an accountant. This statement is not made with any wish to disparage the ability of the professional commercial accountant; it is conceded that his place in the business world is too well established to be underestimated, but the position of Railroad Traveling Auditor requires years of application and preparation in the transportation business, which places it in a distinct and separate class.

Character of
Training
Required.

The work of the Railroad Traveling Auditor should not be confined to a mere mechanical audit of the accounts. It is his duty to observe and report upon every condition bearing upon the welfare of the company he represents, and in order to do this it is certain that he must be equipped with an extensive knowledge of the business. For one who is not properly equipped in this manner it would be foolish to attempt it, and to those who may have aspirations to the position, it is not out of place to emphasize this fact, in order that they may perfect themselves in any qualification in which they may be lacking, for no positions in the railroad service, excepting perhaps those of the executive heads, call for a greater width of information or knowledge of detail.

Extent of
Duties Not
Confined to
Accounts.

The Railroad Traveling Auditor who desires to be of the greatest possible service to his line must seek and take advantage of every opportunity to acquire a thorough and practical knowledge of the operations of the road, and not until he has an intimate acquaintance with the matters with which he is

Practical
Knowledge
of Operations
Necessary.

dealing will his opinion upon any subject carry any great weight; it is therefore obvious that he must have a real and intimate knowledge of the business to be in a position to intelligently discuss the operations affected, and if he does not possess this knowledge it cannot be expected that he will be in a position to form a reliable opinion as to the effect such matters may have upon the business of the company he represents.

These statements will, no doubt, appear trite to many, but a great deal has been said about the Railroad Traveling Auditor confining himself to Accounting Department matters, and it is necessary to call particular attention to the total inefficiency of any audit which extends no further than an inquiry into the mathematical or theoretical accuracy of the bookkeeping.

Confinement
of Duties to
Routine
Matters.

The report of the Railroad Traveling Auditor must therefore accurately reflect the condition upon which he writes; it is his duty, in addition to auditing the account, to note any physical conditions which might, if not corrected, mitigate against the popularity of the line he represents; from his opportunity to secure information relative to local conditions he is in a position to indicate new business which may be secured, and it is the exception rather than the rule that he is not made the recipient of numerous complaints relative to defects in the service at the station at which he may be working, and certainly it is his province to report such matters in order that they may be corrected.

Report Upon
Physical
Conditions.

He should even go farther than this if necessary, for the railroad has no other employe more adapted to investigate all matters pertaining to its welfare in connection with its relation to the public.

Relation to
Public.

By no other means under the present system of organization can more reliable and intelligent data be obtained with regard to prevailing conditions, and to any railroad official who desires to feel that his hand is at all times

Assistance
Which May
Be Given to
Executive
Officers if
Desired.

firmly upon the pulse of the organization for which he is responsible, the recommendation is offered that he enlist in his behalf the services of the line's Traveling Auditors. This plan, if properly applied, will work to such good purpose that he will find his efficiency increased to an extent which may surprise even himself.

At the present time the Departmental System of railroad organization affords little opportunity for the Railroad Traveling Auditor to display his ability. Graduating, as he necessarily does, from the Operating Department into the Accounting Department, either at the time or before he becomes a Traveling Auditor (as it is only in the Operating Department that the ground work for the position can be laid), he finds himself at the very outset confined by custom to prescribed academical duties incidental to auditing station agents' accounts, and while this condition may not exist upon all roads, it is the exception rather than the rule that he is called upon to perform those other duties for which his early training so well equipped him.

Early Training
Necessary
for Position.

The necessary qualifications of a Railroad Traveling Auditor are many. Not only must a practical knowledge of the transportation business be his very ABC, but he must be an accountant of the first water. He is not infrequently called upon to audit accounts the volume of which embrace enormous revenues, the details consisting of innumerable small items involving intricate questions of transportation, which his prior training must be depended upon to decide.

Necessary
Qualifications.

Not the least difficulty to be contended with in connection with an audit of station accounts may be cited the feature of continuous operation so familiar to all railroad men. At that hour when the commercial business man or accountant is preparing to go home, the Railroad Traveling Auditor is frequently starting out for the purpose of commencing an audit, in order that he may take advantage of those

Feature of
Continuous
Operation to
Be Considered

comparatively quiet hours in the railroad world between sundown and dawn, and secure an accurate cut-off of the accounts, a thing it would be impossible to do at any other time of the day.

It is, of course, superfluous to point out to the professional Railroad Traveling Auditor the fact that the accounts of the majority of large stations are, thanks to his past efforts, kept with a minute attention to detail and with a commendable degree of accuracy, and it is without any idea of disparaging the ability of the accountant of the commercial world, that the suggestion is offered to study the accounting methods employed at such points if the opportunity ever presents itself.

Attention to
Detail at
Large
Stations.

Credit is due to the Railroad Traveling Auditor, who is in no small measure responsible for the efficiency to which such systems of accounting have been brought, and it is with the idea of displaying for the benefit of all the rules by which this end can be obtained that this work is undertaken.

So high are the moral qualities called for that the profession is eminent amongst those taking part in the business world. The Railroad Traveling Auditor must not deviate from the truth; no latitude is permitted him in dealing with situations and conditions in regard to which he would often prefer to be unaware, but having undertaken the duties of the position he must conduct himself without fear or favor, always prepared to assume the consequences which invariably ensue from careless errors or misstatements, and it may be added that nothing is more conclusive of a proper appreciation of the position which he holds than an absence of such consequences.

Moral
Qualities
Required.

He must be well balanced in disposition, capable of analyzing complicated situations, and prepared to devote his last ounce of energy in arriving at the facts connected with every transaction presented for his investigation.

Disposition
and Energy
Required.

It is not with any idea of alarming those, who from a perusal of the rules laid down for their guidance, might aspire to the position, for in the last analysis the thoroughly efficient and unprejudiced Railroad Traveling Auditor has nothing to fear from the results of his efforts. On the other hand, an established reputation for ability and integrity invariably leads to the appreciation of those qualities, which are so necessary to advancement in the profession which he has chosen.

Result of
Established
Reputation
for Ability
and Integrity.

It is the aim of the following chapters to describe as fully as possible the shortest and most practical method of making a full and complete audit of the accounts at stations, and while the conditions under which the work is done vary to a considerable extent, owing to the fact that the most suitable hours cannot always be selected for commencing the work, yet certain safeguards can always be employed which render the results in every case as reliable as long experience and ingenuity can contrive them, and if the instructions are faithfully followed, it is an extremely remote possibility that an irregularity will remain undetected, and if it does, it is safe to say that subsequent analysis of the situation will bring out the fact that some of the precautions provided for performing the work have been neglected.

Certain
Safeguards
Necessary.

While it is the intention to set down as far as possible the methods which have been shown from good practice to be the most successful, it is not intended that the work should be performed in the order in which it is described, except as to certain well defined methods: for the reason that the conditions under which the work is done at different audits render this impracticable. However, the judgment of the Railroad Traveling Auditor will dictate to him the procedure to be followed in each case, and the nature of the instructions themselves will be found to furnish in many instances the necessary suggestions.

Order in
Which Work
Should Be
Performed.

Variation in the method of performing the work will be found to have its good points, and to the Railroad Traveling Auditor who has mastered his system, nothing is to be feared from a lack of hard and fast rules. Experience will demonstrate this assertion to be well founded, and the practice of employing variety in the order of doing the work will be clearly demonstrated to have its advantages.

Variation
in System.

Owing to the rapidity and ease with which railroad agents can communicate with one another, the personality and methods of the Railroad Traveling Auditor frequently precede him, and acting upon the assumption that this is sometimes the case, it behooves him to inject into his work the quality necessary to offset this practice. How this can best be done will suggest itself to him as he does his work, and from the following rules he may select as many variations as his skill may devise.

Personality
of Railroad
Traveling
Auditor
Frequently
Precedes Him.

Before outlining the rules to be followed for making an audit of the various station accounts, it is not out of place to discuss the extent of the work which the Railroad Traveling Auditor should perform, in order to make certain the object of his visit. This is a point upon which there can be no deviation, the audit must extend without exception back to the last audited balance sheet, for it must always be borne in mind that any part of the account which may be left unaudited may conceal that irregularity a knowledge of which is essential to detect and expose the very transaction upon a structure of fraud or concealment is reared.

Extent of
Work to Be
Performed.

For the reason that no fraud is apparent is not evidence that none exists. If the Railroad Traveling Auditor has suspicions in any direction, let him be particularly vigilant there and double his precautions. No item is too trivial for a full and complete investigation, and if the slightest doubt exists as to its

Vigilance to
Be Exercised.

character, he should probe it to the bottom, for by this means only can he hope to acquire that perfection which is requisite in all who would excel. Let him remember that anything he does may be the means of setting in motion a train of circumstances, the operations of which may be the means of bringing to light that irregularity for which he so industriously seeks, but has no anticipation of its existence, until the item upon which he has occasion to concentrate his attention reveals the details of a fraudulent transaction.

No Circumstances Too Trivial for Attention.

Also, before proceeding to a detailed description of the work to be performed it is not amiss to state, that, in the application of the instructions consideration must be given to the wide variation in the different systems now employed by the railroad systems of this country.

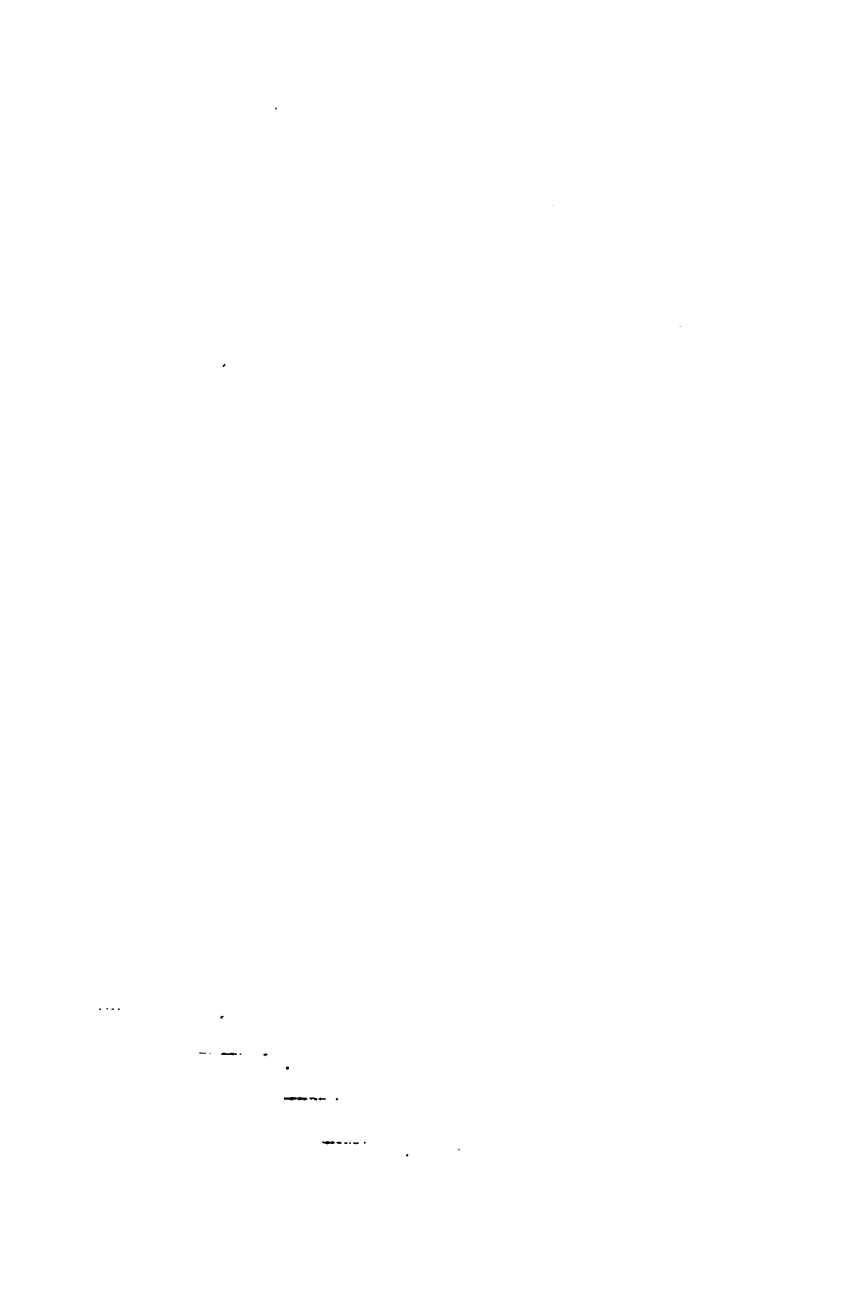
To some it may appear that the rules as outlined are not applicable to their particular style or system of accounting.

Application of Rules to All Systems of Accounting.

No attempt has been made to cover in detail all of the systems in use today. However, the principal points of each will be found to appear, and while there may be some lack of descriptive detail or omission of minor points, it can only be offered in extenuation that in the preparation of a pioneer work on this subject the author is absolutely without any published field of information from which to draw ideas or knowledge of universal practices.

If the work is considered of sufficient value to the reader to merit consideration, and if from interest or experience in the profession he is at any time inclined to offer any suggestions which may have been found valuable in his own practice, they will be gratefully received and given consideration in the preparation of a revised edition if sufficient interest is aroused in the work to merit it.

Suggestions for Preparation of Revised Edition.



CHAPTER II.

PRELIMINARY CONSIDERATIONS—THE CUT-OFF.

Before proceeding with a description of the work in detail, it is not out of place to repeat that it is the object of this work to discuss the methods and practices of the Railroad Traveling Auditor from the standpoint of the professional Railroad Traveling Auditor who is familiar with the principles of station accounting, and it is not, therefore, considered necessary to explain or discuss such matters in the abstract.

Discussion of Detail from Viewpoint of Professional Auditor.

The following instructions are modeled after a set used on one of the principal trunk lines in the United States for several years, and will be found extremely valuable. Various modifications of these methods are in use at the present time on other lines.

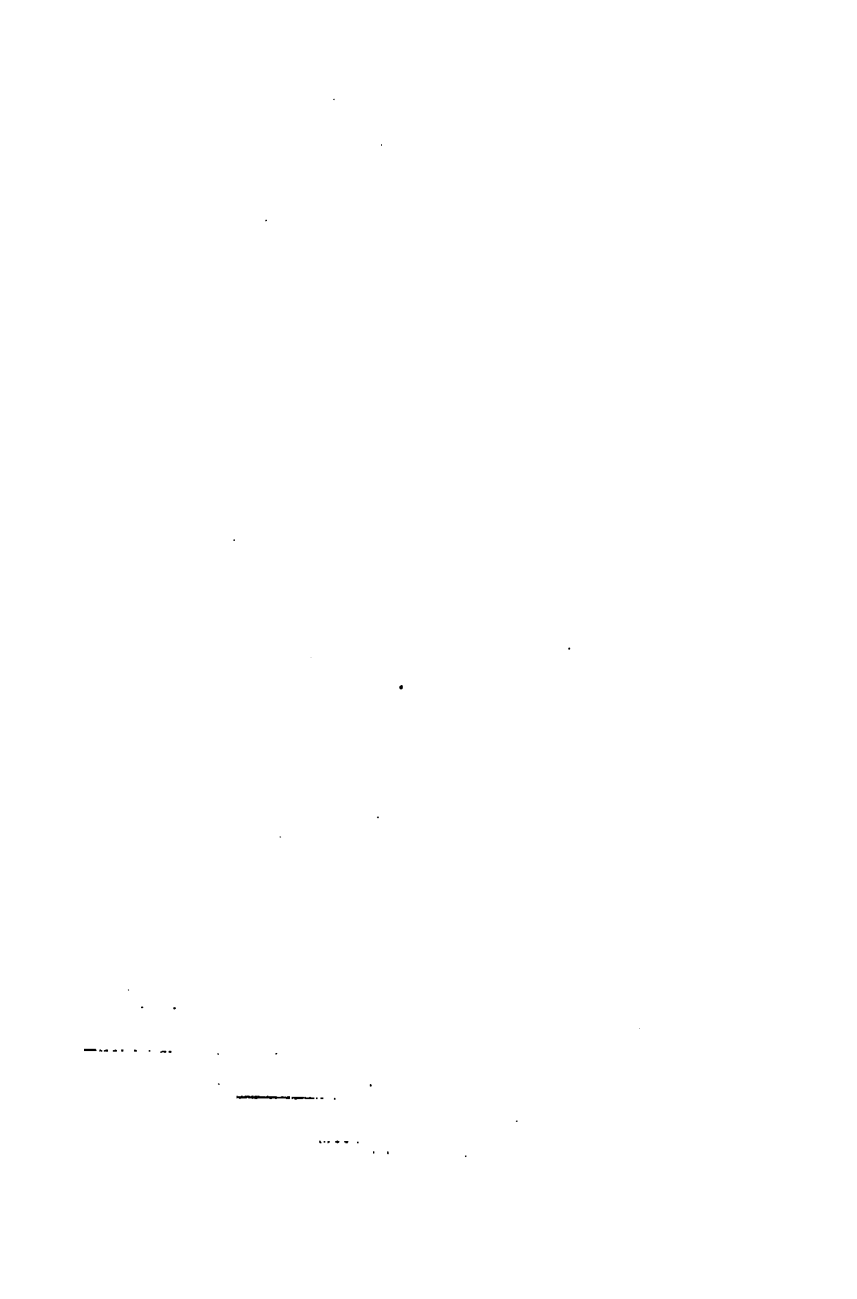
The experienced Railroad Traveling Auditor who is thoroughly conversant with his system occasionally finds it practicable to dispense with some part of the mechanical means of checking. The Railroad Traveling Auditor's own ability and experience must be left to decide to what extent this can be done with safety, and it may be added, that at the same time he must assume responsibility for any consequences that may follow.

Ability to Dispense with Some Part of the Mechanical Means of Checking.

Before proceeding to a station for the purpose of making an audit of the account, preliminary consideration should be given by the Railroad Traveling Auditor to the time card movement of trains, both freight and passenger, at the station about to be audited.

In the event that the movement of local freight trains is not scheduled on the Division time card, arrangements should be made to secure, as nearly as possible, a description of the local runs over the Division from the Chief Dispatcher.

Familiarity with Train Schedules.



This precaution will be found valuable in arranging the order in which the work is to be performed at the station, for the reason that preference can be given to either the Ticket or Freight Accounts, as the exigencies of the situation may demand.

Confusion and annoyance can frequently be avoided by preparation for such contingencies as the departure of passenger trains, or the arrival of local freight trains within a short time after the arrival of the Railroad Traveling Auditor at the station, and before the cut-off in either the ticket or freight account has been completed. More than one audit of a station has failed in its purpose for no other reason, although, with the proper preliminary precautions, it is a condition easily overcome.

Local Conditions to be Anticipated.

Immediately upon arrival at the station, and after introducing himself to the agent and stating the purpose of his visit, the Railroad Traveling Auditor should proceed to make a careful and accurate cut-off of the accounts. This should be done as follows:

THE CUT-OFF.

The first work to be performed at every audit of station accounts is the count of cash. This should be done in the presence of the Agent in the following manner:

Count of Cash.

A list should be prepared in duplicate of all cash on hand, according to denominations and classes of money, checks or drafts. After the list is prepared it should be certified to, jointly, by the Agent and Railroad Traveling Auditor. The Railroad Traveling Auditor should retain the original copy, which should be forwarded to the Auditor with his report; the duplicate should be handed to the Agent for his information.

List of Cash.

All remittances on hand, whether sealed or not, or the property of either Railroad, Express, Pullman, Telegraph or other Company,

Remittances on Hand.

should be opened and counted and listed with the cash on hand.

All papers representing cash or cash payments should be listed in a similar manner, on a separate list, and sufficient data noted in order that further verification of the items may be made at a later time if necessary.

List of Cash
Papers.

The cash and cash papers listed must, of course, consist of all funds which the Agent may have on hand, regardless of ownership, for no audit would be complete that did not embrace the transactions of any and all Companies for which he might be acting as Agent. Any Railroad Traveling Auditor who, in the absence of the representative of another Company, may have considered his duty fully performed by auditing the accounts of the particular Company he represents, should disabuse himself of the idea at once. His methods are unsafe, and should be intolerable to the Auditor of his line.

Ownership of
Funds.

Audit of
Accounts of
Other Com-
panies.

To what extent he should proceed in this direction appears in the description of methods to be used in such cases, and follows later.

It will also be found a good plan after the cash and cash papers produced by the Agent or Cashier have been listed, to inquire particularly as to whether the funds produced represent the entire cash balance of the station. As to whether Railroad, Express, Post Office, Pullman, Telegraph, Accident or Vending Machine receipts, etc., have all been included, and if any other source of revenue for which the Agent might be responsible, has been duly accounted for, such as deposits of any nature, etc.

Inquiry to be
Made Regarding
Cash on
Hand.

If any other credits are produced, they must be properly listed and certified to.

Too much importance cannot be attached to the care with which this particular feature of the work should be performed. The position of the Railroad Traveling Auditor must be impregnable in this respect, and all subse-

Importance of
Count of Cash.

character, he should probe it to the bottom, for by this means only can he hope to acquire that perfection which is requisite in all who would excel. Let him remember that anything he does may be the means of setting in motion a train of circumstances, the operations of which may be the means of bringing to light that irregularity for which he so industriously seeks, but has no anticipation of its existence, until the item upon which he has occasion to concentrate his attention reveals the details of a fraudulent transaction.

No Circumstances Too Trivial for Attention.

Also, before proceeding to a detailed description of the work to be performed it is not amiss to state, that, in the application of the instructions consideration must be given to the wide variation in the different systems now employed by the railroad systems of this country.

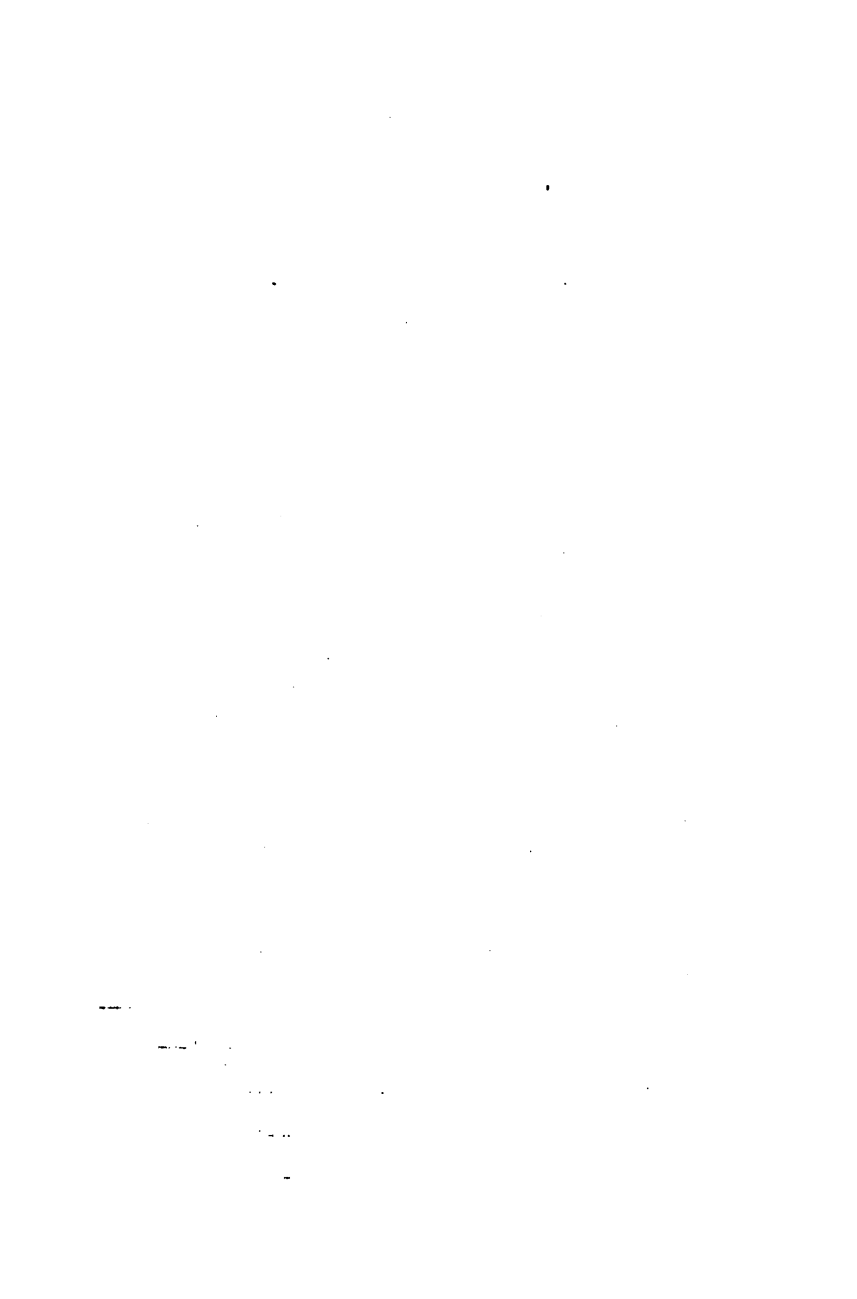
To some it may appear that the rules as outlined are not applicable to their particular style or system of accounting.

Application of Rules to All Systems of Accounting.

No attempt has been made to cover in detail all of the systems in use today. However, the principal points of each will be found to appear, and while there may be some lack of descriptive detail or omission of minor points, it can only be offered in extenuation that in the preparation of a pioneer work on this subject the author is absolutely without any published field of information from which to draw ideas or knowledge of universal practices.

If the work is considered of sufficient value to the reader to merit consideration, and if from interest or experience in the profession he is at any time inclined to offer any suggestions which may have been found valuable in his own practice, they will be gratefully received and given consideration in the preparation of a revised edition if sufficient interest is aroused in the work to merit it.

Suggestions for Preparation of Revised Edition.



quent doubts or questions which might afterwards arise as to the accuracy or reliability of this part of the work must be anticipated and disposed of before any other feature of the audit is considered.

It is not out of place at this point to discuss the treatment of personal funds of station employes, which may be found in the cash drawer with the Company's funds, and which have been used for convenience in transacting the business of the station. There is no objection of the part of most lines to station employes using their personal funds for change, etc., provided a proper record is kept of the amount used. No good reason can be advanced as to why this practice should not be permitted, although some lines prohibit it. It is well, however, to make inquiry of the Agent on this point, as it may be the means of explaining discrepancies between the final cash balance and the amount of cash actually on hand, a condition which is apt to cause the Railroad Traveling Auditor some uncertainty in the event that he is not prepared for such a result.

Personal Funds
of Employes.

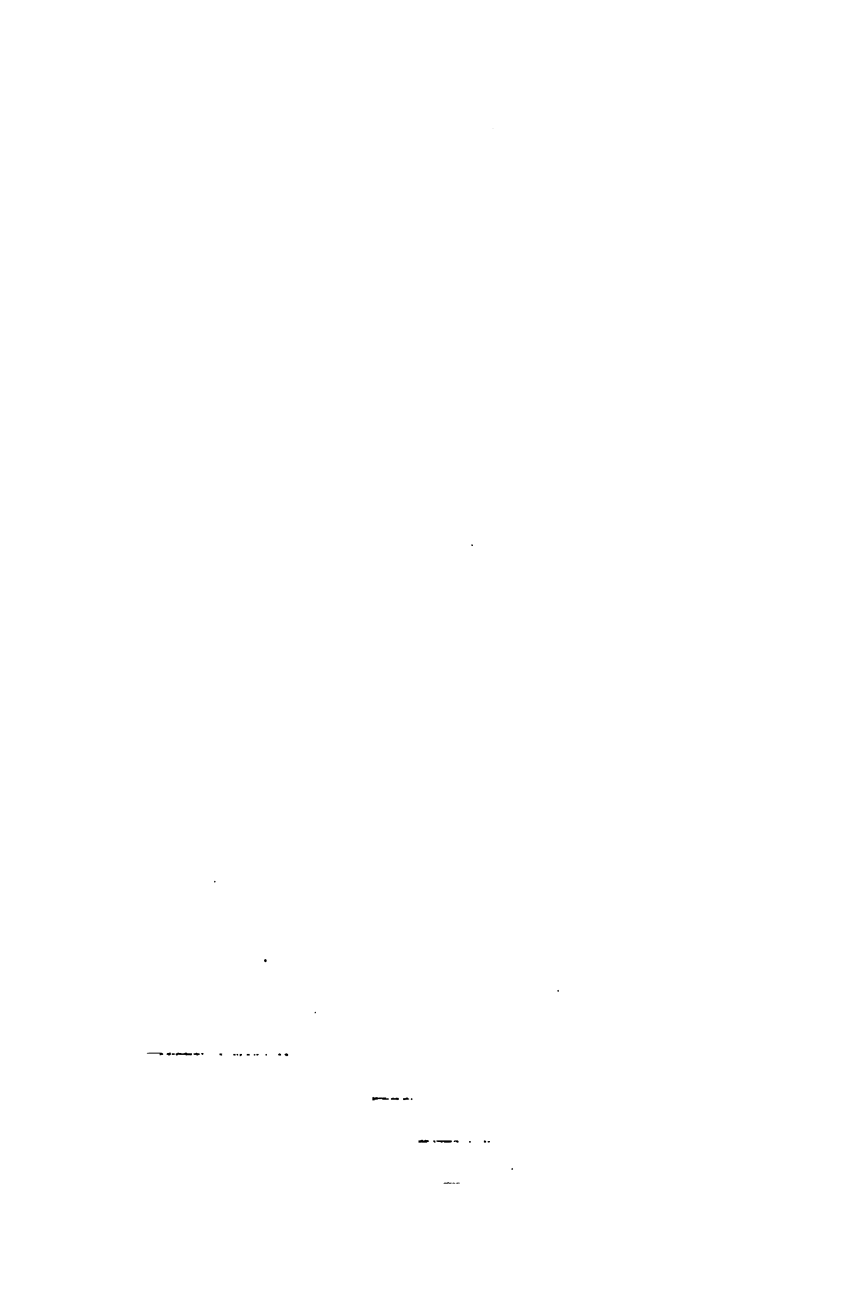
Discrepancies
in Cash
Balance.

After the cash has been counted and listed, all receipt books, whether for Railroad, Express, Pullman or other Company's remittances or deposits, should be secured and held until the same have been checked to see that all remittances have been properly receipted for. Careful attention should be given to all signatures for remittances. These, as a general rule, are signed for by the same messenger or Express Company representative from day to day, and if any doubt exists as to the authenticity of the signature appearing upon the receipt, steps should be taken to verify it.

Receipts for
Remittances.

Attention to
be Given to
Signatures for
Remittances.

All receipts for remittances should be plainly initialed by the Railroad Traveling Auditor as they are checked, thereby overcoming the possibility of checking the same receipt to cover more than one remittance for the same amount.



At the same time possession should be secured of all Express money order books, draft books, Express receipt books for money accepted for transmission, and Telegraph Company receipt books for money deposited to be transmitted by telegraph. As it is not always practicable at the larger stations to hold these books until the time arrives for checking the transactions, they should be plainly initialed and dated upon the stub of the last money order, draft or receipt issued. This plan will insure an accurate check at a later time, and in the interim they may be used by the station force if necessary.

Possession of
Books to be
Secured.

Next should be secured all Agent's or Cashier's record copies of freight bills, etc., which have been collected, and which have not been entered in the Cash Book or Freight Bill Collection Register. These should be entered as soon as possible and the total inked in and plainly initialed and dated.

Record of
Collections to
be Secured.

The following records should also be secured and separate lists made of each class of items on the proper forms:

List of
Records to be
Secured.

Uncollected Freight Bills covering received waybills.

Uncollected Freight Bills or Bills of Lading covering charges on freight forwarded prepaid.

Uncollected Freight Bills received from other stations for collection.

Uncollected Demurrage Bills.

Uncollected Bills received from other sources for collection.

Also secure and make separate lists of the following:

Unreported Received Waybills.

Bills of Lading for shipments to be forwarded—not waybilled (list advances paid and prepaid charges appearing thereon).

Waybills billed and not copied.

Express Waybills not booked.

CHAPTER II.

PRELIMINARY CONSIDERATIONS—THE CUT-OFF.

Before proceeding with a description of the work in detail, it is not out of place to repeat that it is the object of this work to discuss the methods and practices of the Railroad Traveling Auditor from the standpoint of the professional Railroad Traveling Auditor who is familiar with the principles of station accounting, and it is not, therefore, considered necessary to explain or discuss such matters in the abstract.

Discussion of Detail from Viewpoint of Professional Auditor.

The following instructions are modeled after a set used on one of the principal trunk lines in the United States for several years, and will be found extremely valuable. Various modifications of these methods are in use at the present time on other lines.

The experienced Railroad Traveling Auditor who is thoroughly conversant with his system occasionally finds it practicable to dispense with some part of the mechanical means of checking. The Railroad Traveling Auditor's own ability and experience must be left to decide to what extent this can be done with safety, and it may be added, that at the same time he must assume responsibility for any consequences that may follow.

Ability to Dispense with Some Part of the Mechanical Means of Checking.

Before proceeding to a station for the purpose of making an audit of the account, preliminary consideration should be given by the Railroad Traveling Auditor to the time card movement of trains, both freight and passenger, at the station about to be audited.

In the event that the movement of local freight trains is not scheduled on the Division time card, arrangements should be made to secure, as nearly as possible, a description of the local runs over the Division from the Chief Dispatcher.

Familiarity with Train Schedules.



Note—The question as to whether this should be done before the freight bills, etc., are listed, or the freight on hand, etc., checked, is left entirely to the discretion of the Railroad Traveling Auditor, who should be governed entirely by the suggestions outlined under Preliminary Considerations, and for which he should be fully prepared.

Order of Performing Work at Cut-off.

Secure and list any other papers or authorities which may have any bearing upon the accounts, retaining any which appear to require subsequent investigation.

Secure a record of the transactions of any other Companies represented at the station, in the same manner, if the representatives of the other Companies are not present.

Particular care must be exercised in making the cut-off. It should be the object of this part of the work to secure a record of the status of the account which will be beyond dispute, regardless of ensuing events. Subsequent developments depend in many instances upon entries which have, or have not, been made in the accounts at the time of the cut-off, and the Railroad Traveling Auditor who cannot absolutely substantiate the status of each and every account at the time he commenced his investigation, has failed in the object of his audit. For where doubt exists upon any given point, the object and intention of the work has not been obtained.

Care in Making Cut-off.

Before proceeding, therefore, to the examination of the accounts, every precaution should be taken to secure absolute certainty in this respect, and having satisfied himself as to the correctness of the cut-off, by a recheck if necessary, the Railroad Traveling Auditor is ready to proceed with the detailed examination of the accounts and preparation of his balance sheet and report.

Recheck at Cut-off if Necessary.

CHAPTER III.

AUDIT OF FREIGHT ACCOUNT.

At stations handling both freight and ticket business, the freight business usually constitutes the greater part of the station work and revenue. It is also in this account that the most opportunities for defalcation occur, and it should accordingly be given that close and careful attention which constitutes the duty of the careful, competent and cautious Railroad Traveling Auditor.

Freight Business is the Greater at Joint Station

By this it is not meant that the Railroad Traveling Auditor should approach his work with the foregone conclusion that there is something wrong. Fortunately, in the great majority of cases, this is not the condition which he will find, and he is justified in placing confidence in tried servants of the Company in whom confidence is placed by the Company, but he must at all times exercise reasonable care, relying only upon their representations to an extent justified by his investigation. If he finds anything calculated to arouse suspicion it is his indispensable duty to probe it to the bottom, for only by such means will he ascertain the true facts.

Manner of Approaching Work.

CHECK OF WAREHOUSE.

The freight bills having been listed at the cut-off, the first step to be taken in auditing the freight account is to make a careful check of the warehouse. This should be done by checking each piece of freight against the freight bill covering that particular shipment. A list should be made at the same time of all over and astray freight on hand in the warehouse, for the purpose of later investigation. After the warehouse is checked, all bills covering freight on hand should be returned to the Agent; freight bills covering shipments which have been delivered, or are not found in the warehouse, should be held for verification of the fact that the charges have not been paid up to the time of the cut-off.

Checking of Freight in Warehouse.

The list of freight found over or astray, with the addition of all available data, should be forwarded to the Freight Claim Agent for his information, in order that proper action may at once be taken to properly dispose of such shipments.

Over and
Astray Freight

VERIFICATION OF UNPAID CHARGES.

The freight bills covering shipments not on hand should be verified by calling upon the consignees and securing from them their acknowledgment that the bills have not been paid.

Acknowledg-
ment of Un-
paid Charges
by Consignee

A form should be used for this purpose upon which a space is provided at the top for the name of the station and date, and the name of the consignee, and the body of the form should be suitably ruled for listing the freight bills; the list of freight bills should be followed by the acknowledgment, which should be printed at the bottom with a suitable space for the signature of the consignee. A form of acknowledgment suitable for this purpose reads as follows:

“—hereby acknowledge that—have received the shipments described upon the above listed freight bills, and have not paid the charges thereon, amounting to—(\$)”

Consignee.

Form of
Acknowledg-
ment.

The same form may be used for verifying bills of any other character which may form a part of the station balance. The form of acknowledgment may be changed to suit the character of the bills.

This portion of the work should be done as early in the course of the audit as possible for obvious reasons, and while some objections have been raised to this practice, the rule has now become a universal one amongst business firms submitting to an audit, and opposition to the plan on the part of consignees occurs only in isolated cases, which a little diplomacy on the part of the Railroad Traveling Auditor should have no difficulty in overcoming.

Objection of
Consignees to
Verification of
Outstanding
Accounts.

quent doubts or questions which might afterwards arise as to the accuracy or reliability of this part of the work must be anticipated and disposed of before any other feature of the audit is considered.

It is not out of place at this point to discuss the treatment of personal funds of station employees, which may be found in the cash drawer with the Company's funds, and which have been used for convenience in transacting the business of the station. There is no objection of the part of most lines to station employees using their personal funds for change, etc., provided a proper record is kept of the amount used. No good reason can be advanced as to why this practice should not be permitted, although some lines prohibit it. It is well, however, to make inquiry of the Agent on this point, as it may be the means of explaining discrepancies between the final cash balance and the amount of cash actually on hand, a condition which is apt to cause the Railroad Traveling Auditor some uncertainty in the event that he is not prepared for such a result.

Personal Funds
of Employees

Discrepancies
in Cash
Balance.

After the cash has been counted and listed, all receipt books, whether for Railroad, Express, Pullman or other Company's remittances or deposits, should be secured and held until the same have been checked to see that all remittances have been properly receipted for. Careful attention should be given to all signatures for remittances. These, as a general rule, are signed for by the same messenger or Express Company representative from day to day, and if any doubt exists as to the authenticity of the signature appearing upon the receipt, steps should be taken to verify it.

Receipts for
Remittances.

Attention to
be Given to
Signatures for
Remittances.

All receipts for remittances should be plainly initialed by the Railroad Traveling Auditor as they are checked, thereby overcoming the possibility of checking the same receipt to cover more than one remittance for the same amount.

At the same time possession should be secured of all Express money order books, draft books, Express receipt books for money accepted for transmission, and Telegraph Company receipt books for money deposited to be transmitted by telegraph. As it is not always practicable at the larger stations to hold these books until the time arrives for checking the transactions, they should be plainly initialed and dated upon the stub of the last money order, draft or receipt issued. This plan will insure an accurate check at a later time, and in the interim they may be used by the station force if necessary.

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Next should be secured all Agent's or Cashier's record copies of freight bills, etc., which have been collected, and which have not been entered in the Cash Book or Freight Bill Collection Register. These should be entered as soon as possible and the total inked in and plainly initialed and dated.

Record of
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The following records should also be secured and separate lists made of each class of items on the proper forms:

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Uncollected Freight Bills or Bills of Lading covering charges on freight forwarded prepaid.

Uncollected Freight Bills received from other stations for collection.

Uncollected Demurrage Bills.

Uncollected Bills received from other sources for collection.

Also secure and make separate lists of the following:

Unreported Received Waybills.

Bills of Lading for shipments to be forwarded—not waybilled (list advances paid and prepaid charges appearing thereon).

Waybills billed and not copied.

Express Waybills not booked.

Express Receipts for shipments to be forwarded—not billed (list advances paid and prepaid charges appearing thereon).

Express Waybills billed and not copied.

Commercial Telegrams not booked.

Unreported Bills received by Agent from Auditor or other sources for collection.

In the event that representatives of other Companies are present, the records and accounts of such Companies should be left to the attention of their representatives.

Secure all current cash books, freight bill collection registers, freight received books, impression books or other copies of all reports, and impression books of all waybills forwarded, plainly initial and date the last entry for future reference.

In order to expedite the listing of uncollected freight bills, the use of a form providing for the following information is recommended:

Lists of
Uncollected
Bills.

| FREIGHT BILL | | CONSIGNEE | CHARGES | REMARKS |
|--------------|------|-----------|---------|---------|
| NO. | DATE | | | |

Sometimes much less information will answer the purpose, for instance, freight bill number and amount of charges only; but the frequent necessity for subsequent reference to such lists, especially when careless or duplicate numbering of freight bills is encountered, makes the first plan more preferable, and is often a time saver in the long run.

Make an inventory of all local and inter-line tickets on hand on separate lists, and count all tickets on hand in the case or cases, or wherever displayed for current use. Inventory and count all scrip or mileage books displayed for current use.

Ticket Inven-
tories to be
Prepared.

Secure all stubs of tickets sold and not reported, and hold for the purpose of making memorandum ticket report.

Ticket Stubs.

Note—The question as to whether this should be done before the freight bills, etc., are listed, or the freight on hand, etc., checked, is left entirely to the discretion of the Railroad Traveling Auditor, who should be governed entirely by the suggestions outlined under Preliminary Considerations, and for which he should be fully prepared.

Order of Performing Work at Cut-off.

Secure and list any other papers or authorities which may have any bearing upon the accounts, retaining any which appear to require subsequent investigation.

Secure a record of the transactions of any other Companies represented at the station, in the same manner, if the representatives of the other Companies are not present.

Particular care must be exercised in making the cut-off. It should be the object of this part of the work to secure a record of the status of the account which will be beyond dispute, regardless of ensuing events. Subsequent developments depend in many instances upon entries which have, or have not, been made in the accounts at the time of the cut-off, and the Railroad Traveling Auditor who cannot absolutely substantiate the status of each and every account at the time he commenced his investigation, has failed in the object of his audit. For where doubt exists upon any given point, the object and intention of the work has not been obtained.

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Before proceeding, therefore, to the examination of the accounts, every precaution should be taken to secure absolute certainty in this respect, and having satisfied himself as to the correctness of the cut-off, by a recheck if necessary, the Railroad Traveling Auditor is ready to proceed with the detailed examination of the accounts and preparation of his balance sheet and report.

Recheck at Cut-off if Necessary.

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Recheck at
Cut-off if
Necessary.

The list of freight found over or astray, with the addition of all available data, should be forwarded to the Freight Claim Agent for his information, in order that proper action may at once be taken to properly dispose of such shipments.

Over and
Astray Freight

VERIFICATION OF UNPAID CHARGES.

The freight bills covering shipments not on hand should be verified by calling upon the consignees and securing from them their acknowledgment that the bills have not been paid.

Acknowledgment of Unpaid Charges by Consignee

A form should be used for this purpose upon which a space is provided at the top for the name of the station and date, and the name of the consignee, and the body of the form should be suitably ruled for listing the freight bills; the list of freight bills should be followed by the acknowledgment, which should be printed at the bottom with a suitable space for the signature of the consignee. A form of acknowledgment suitable for this purpose reads as follows:

“—hereby acknowledge that—have received the shipments described upon the above listed freight bills, and have not paid the charges thereon, amounting to—(\$)”

Consignee.

Form of Acknowledgment.

The same form may be used for verifying bills of any other character which may form a part of the station balance. The form of acknowledgment may be changed to suit the character of the bills.

This portion of the work should be done as early in the course of the audit as possible for obvious reasons, and while some objections have been raised to this practice, the rule has now become a universal one amongst business firms submitting to an audit, and opposition to the plan on the part of consignees occurs only in isolated cases, which a little diplomacy on the part of the Railroad Traveling Auditor should have no difficulty in overcoming.

Objection of Consignees to Verification of Outstanding Accounts.

REPORTS TO COVER UNREPORTED WAYBILLS.

Abstracts and freight bills should be made to cover all unreported waybills on hand, and the uncollected charges appearing thereon should be treated in the same manner as those described above. This applies to both forwarded and received business.

Report of
Unreported
Waybills.

BALANCE OF UNCOLLECTED ACCOUNT.

The charges on freight received should be balanced as follows: To the amount of uncollected charges on freight received on the last day of the previous month should be added the amount of charges on freight received for the current month; amount of advance charges received for the current month; the total of charges prepaid beyond, and the amount of refunds deducted from the current month's received abstracts. This total will balance with the total of the freight charges on freight received collected during the current month (as per cash book), added to the amount of prepaid charges received and amount of uncollected freight charges received (as per list). For example:

Method of
Balancing
Freight
Account.

| | |
|-------------------------------------------------------------------|------------|
| Uncollected freight charges received (previous month)..... | \$ 784.24 |
| Charges on freight received (current month) | 2,384.75 |
| Advance charges on freight received (current month)..... | 382.70 |
| Prepaid beyond (current month)..... | 70.80 |
| *Refunds on freight charges received (current month)..... | 6.40 |
| | <hr/> |
| | \$3,628.89 |
| Collections account freight charges received (current month)..... | \$2,560.50 |
| Prepaid charges received (current month) | 360.89 |
| Uncollected charges on freight received | 707.50 |
| | <hr/> |
| | \$3,628.89 |

Form of
Freight
Balance.

**Accounts which do not require the abstracting of refunds should be balanced by excluding*



this item from the freight balance. Prepaid charges on freight forwarded, demurrage bills and freight bills or other bills received from other sources for collection should be balanced in a similar manner.

CHECKING OF ABSTRACTS.

Abstracts should be footed as regards charges. This is a matter which requires particular care, and all abstracts which have not been audited by the Freight Accounting Department previous to the commencement of the audit should be carefully footed. This should be done for the reason that the manipulation of abstract and cash book totals affords an opportunity for the concealment of fraud; offsetting reductions in abstract and cash book totals being secure from detection unless such steps are taken to expose them.

Footing of Abstracts.

A recapitulation of abstracts for the month should be prepared and accompany the report of the audit.

Recapitulation of Freight Account.

CHECK OF PREPAID FORWARDED CHARGES.

Shipping orders should be checked against the forwarded waybills in order to ascertain that all items of advance charges and prepaid have been correctly waybilled, and forwarded waybills should be checked in turn against the forwarded abstracts, in order to ascertain that such charges are reported. This should be done for a period of no less than thirty days.

Reporting of Advance and Prepaid Charges.

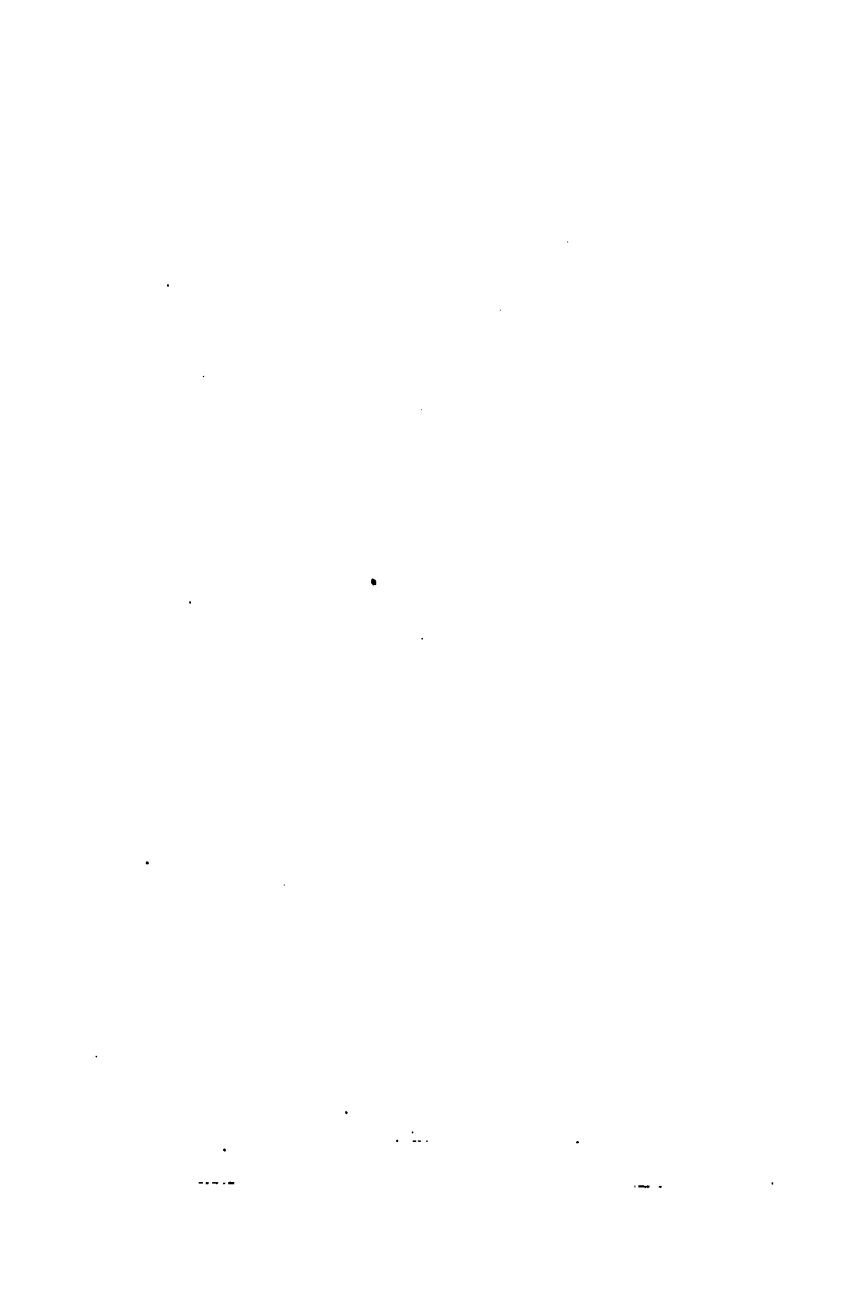
CHECK OF CAR RECORDS.

The number and contents of all cars in the yard should be taken. At terminals or division yards, it is sometimes only necessary to list cars adjacent to the station, as, for instance, cars spotted upon the house, team, private industry or hold tracks.

List of Cars on Hand.

List of cars on hand should be checked against the station records, in order that the fact may be ascertained that the waybills covering their last movement have been ac-

Subsequent Investigation of Car Record



counted for. Should any cars be found at the station for which a satisfactory accounting cannot be located, a report should be made to the Auditor in order that subsequent investigation may be set on foot through the Car Record Office, for the purpose of ascertaining the facts in connection with their movement and presence at the station.

The practice of holding waybills out of account need only be mentioned to justify this portion of the work.

A thorough check of the station car record for a period of thirty days shall also be made for the same purpose, and the list of cars checked should show reference to the waybills covering each car. This list should form a part of the Railroad Traveling Auditor's report.

Length of
Period to be
Checked.

CHECK OF DEMURRAGE ACCOUNT.

The audit of the Demurrage Account should be conducted simultaneously with the check for reporting of the revenue waybills covering the cars mentioned in the preceding paragraph, and while such matters are frequently in the hands of Demurrage Associations or Bureaus, the Railroad Traveling Auditor should expect to apply his investigation towards auditing the accounts of the Demurrage Association or Bureau at the same time that he audits the station accounts, thereby killing, as it were, two birds with one stone. Some lines require the audit to embrace a report covering this feature, and the practice recommends itself as a good one.

Audit of Ca
Service Ac-
counts.

CHECK OF ADVANCE CHARGES PAID.

Settlement sheets covering the payment of advance charges to connecting lines or individuals should be checked to ascertain that proper receipts are held for all advance charges billed, and where payment of advance charges is made by draft, a check should be made to ascertain that all drafts issued are correctly and promptly reported.

Audit of
Settlement
Sheets With
Individuals and
Companies.



CHECK OF STORAGE CHARGES.

Receipts for freight delivered should be checked to ascertain that proper storage charges are assessed according to current tariffs, and promptly reported.

Storage on Freight.

CHECK OF UNCOLLECTED FREIGHT BILLS.

After the completion of the check of the warehouse and the verification of outstanding bills, suitable notations should be made opposite each item on the list of uncollected bills, showing the action taken in regard to each, for instance, on hand, short, refused, verified, etc. A check should also be made to ascertain that each of the uncollected items is represented by a corresponding debit in the account. The necessity for doing this may not be apparent to some at first glance, but as the introduction into the station uncollected account, of freight bills covering waybills held out of account, and offset by a corresponding reduction in the amount of freight collections entered in the cash book, was the means of concealing one of the largest defalcations ever coming to the writer's attention, it is recommended as a precaution well worthy of adoption as an effective means of disclosing fraud of this character if it exists.

Report of Uncollected Freight Bill

CHECK FOR RAISED FREIGHT BILLS.

The practice of raising freight bills is sufficiently prevalent to justify a careful check for the purpose of detecting fraud of this character. An effective plan for disclosing such practices consists of securing from consignees a number of paid freight bills, and checking them against the station records. A sufficient number of paid freight bills for this purpose can generally be secured from consignees, at the same time that outstanding charges are being verified, and after having served their purpose should be returned to the owners.

Practice of Raising Freight Bills.

This part of the work is necessarily one involving some delicacy on the part of the Railroad Traveling Auditor, and should be conducted in a manner calculated not to throw

Care Necessary to Avoid Criticism.



any reflection upon the Agent by arousing suspicion or criticism of his conduct or methods. The practice, perhaps, while not a very general one, is very effective, and even if only spasmodically applied, is extremely salutary in effect.

To what extent it should be applied is left to the judgment of the profession, but it will be conceded that no audit is complete without investigation along these lines.

Extent of
Audit.

A careful inspection should also be made of the station record copies of freight bills, for the purpose of noting any alterations or erasures, which might indicate practices of this kind. This form of check, however, is far from effective; in the paid bills themselves will be found the key to such a situation, and a number of them should by all means be secured.

Alteration
of Station
Records.

CHAPTER IV.

AUDIT OF TICKET AND BAGGAGE ACCOUNT.

From the point of view of the Station Agent, the ticket account forms an extremely tangible liability. No other course is open to the Agent upon the occasion of an audit by a Railroad Traveling Auditor but to produce either the stock of tickets with which the station has been supplied, or to account for their value. It is the object of the Railroad Traveling Auditor to satisfy himself that the Agent has accounted for the value of all tickets sold, and that the unsold stock of tickets is on hand at the station. The manner of performing this part of the work should be carried out as follows (references to tickets being understood to cover all forms of transportation):

Manner of
Auditing
Ticket
Account.

COUNT AND INVENTORY OF TICKETS. MEMORANDUM REPORTS.

At the time of making the cut-off of the station accounts, the commencing and closing numbers of the tickets in the working stock were taken, and this part of the stock was counted. The stubs of the tickets sold, but unreported, were secured and held for the purpose of computing the value of the transportation which they represent.

The balance of the ticket stock should now be counted and added to the inventory of tickets on hand, and a memorandum ticket report should be prepared covering the tickets sold but unreported.

Count of
Tickets.

The amount of the memorandum ticket report should be added to a recapitulation of the ticket reports previously rendered during the month (if any), and the total will represent the station debit account of ticket sales.

Ticket
Reports.

The reports covering ticket sales should, of course, be segregated between local and inter-line, or in such a manner as the practices of the road prescribe.



FOOTING REPORTS—CHECK OF RATES.

Daily reports should be footed and extensions verified, and the rates applied to one point tickets should be checked against the rates appearing on the reports for the previous month.

Footing of
Daily Reports.

A casual check should also be made of the rates reported on tickets to distant points, although this is not really necessary where the Railroad Traveling Auditor's ticket reports are afterwards checked by the Passenger Accounting Department for the purpose of verifying rates and destinations, an extremely essential operation if the full value of the audit is to be secured. If this later check by the Passenger Accounting Department is neglected, the value of the audit is correspondingly reduced, and experience has demonstrated that the fact soon becomes well known to Agents, as the result of the discreet tests which are continually being applied to all Accounting Department methods by inquisitively inclined station employees.

Check of
Rates.

CHECK OF TICKET INVENTORY.

After the check of the current month's ticket sales is completed, the stubs of blank destination forms from which sales have been made during the current month should be set up in numerical order by forms, and should be checked to see that the commencing number of each form from which sales have been made follows consecutively the last reported ticket of the same form in the preceding month, and that the closing number of each form from which sales have been made consecutively precedes the commencing number of the same form on hand. A check should also be made at the same time in order to ascertain that the consecutive numbers of all tickets sold are accounted for.

Audit of
Ticket Stock.

The commencing numbers of forms of tickets from which no sales have been made during the current month should be checked



to ascertain that they immediately follow the number of the last ticket of the same form reported in previous months, if any sales have been made.

The invoices or copies of invoices should then be checked against the inventory of stock on hand, for the purpose of ascertaining that the full stock is accounted for and that no tickets have been disposed of from the bottom of the stock.

Check of
Invoices.

The practice of providing stations with book records for the purpose of keeping an account of their ticket stock, and the use of this record by the Railroad Traveling Auditor for the purpose of checking the stock, does not appear to be good practice, although it is very generally used.

Ticket Stock
Records.

The proper records by which to check the stock are the ticket reports, the original or duplicate invoices and recall orders, and they should be kept conveniently filed for this purpose. A record of the ticket stock prepared by an Agent would not be likely to expose the deliberate misuse of tickets for which he was responsible, especially if he was familiar with the Railroad Traveling Auditor's methods, which is generally the case. The check should, therefore, by all means be based upon the original invoices, as this method is absolutely reliable, and while, perhaps, it requires a trifle more time, it is certainly justified as producing reliable results.

CHECK OF STAMPED DATES.

A check should be made of stamped dates appearing upon ticket stubs in order to ascertain that the value of the tickets is reported upon the actual date of sale. The practice of lapping ticket sales is sometimes followed to conceal default for the time being, or reduce excessive cash balances.

Stamped
Dates on
Ticket Stubs.



CHECK OF BAGGAGE COLLECTIONS, STORAGE, ETC.

A check similar to that described in regard to tickets should be followed in auditing the Baggage Collection account. On lines making a charge for the storage of parcels and baggage, the record of baggage received, delivered and on hand, should be checked for a suitable period in order to ascertain that such charges are regularly assessed and accounted for. A list should be made of checks on hand, on parcels and baggage in the baggage room, and this list should be checked against the record of baggage received; this will generally be found to indicate the manner in which storage charges are handled, and while the revenue is a minor item in the account, it is not infrequently subject to misappropriation by baggage room employees.

Audit of
Baggage Col-
lections, Parcel
and Storage
Charges.

CHECK OF EXCESS BAGGAGE CHARGES.

It is also a good plan to weigh and make a report of excess baggage on hand for delivery, and while this has generally no bearing upon the station account at the point where the baggage is delivered, the report furnishes the Passenger Accounting Department with a reliable basis for the checking of revenue, account of excess baggage collections, reported by the forwarding station, and constitutes a decided argument against the practice of underweighing excess baggage.

Weighing of
Excess
Baggage.

INVENTORY OF BAGGAGE CHECKS. MEMORANDUM REPORT.

A memorandum report of unreported baggage collections should also be prepared, with such segregations as the practices of the line prescribe, and an inventory of baggage checks on hand should be made. This should be audited in the same manner as the ticket account.

Unreported
Baggage
Collections—
Report of.

DISPOSITION OF TICKETS APPARENTLY USED AND RETURNED TO STOCK.

Investigation should be made of any tickets which are found on hand at the station, which have apparently been used and returned to

Tickets Used
and Returned
to Stock.



stock, and irrespective of circumstances such tickets should be forwarded to the Auditor with the report of the audit, accompanied by a full statement of the facts. The subsequent investigation conducted by the Passenger Accounting Department being depended upon to develop any irregularity not brought to light by the Railroad Traveling Auditor.

AUDIT OF PREVIOUS MONTH'S ACCOUNT.

In the event that the previous month's account has not been audited and a corrected statement of account has not been received from the Auditor, the previous month's account should be audited in the same manner by the Railroad Traveling Auditor as the current month's account, and any discrepancies appearing therein should be taken up on the balance sheet, either as separate debits or credits, as the case may be, or as supplementary items to the accounts of which they may form a part.

Discrepancies
in Previous
Month's
Reports.



CHAPTER V.

AUDIT OF CASH BOOK.

A great deal might be written upon the importance of making a full and complete audit of cash receipts and disbursements, and it will be treated as exhaustively as possible in the space at the disposal of this part of the work.

Cash Receipts
and Disburse-
ments—Audit
of.

It is a part of the Railroad Traveling Auditor's duty to ascertain as far as possible that all cash transactions are promptly and properly recorded in the cash book, and this can only be done by a very thorough and complete check of cash book entries and totals, both for the purpose of disclosing any irregularity and obtaining evidence that the transactions recorded in the cash book are facts.

For the sake of convenience, the manner and reasons for conducting this part of the work will be described under the following heads:

- (a) Freight Collections.
- (b) Ticket Sales and Baggage Collections.
- (c) Remittances.
- (d) Miscellaneous Receipts and Disbursements.

(a) **FREIGHT COLLECTIONS:** The manner of balancing the freight account described under the head of "Audit of Freight Account" provided for the application of the total of freight collections as appearing in the cash book, in order to ascertain the correct total of uncollected freight bills. To be in a position to certify that the result so obtained is correct, it is necessary that the Railroad Traveling Auditor assure himself of the correctness of the cash book entries and totals. This assurance should be obtained by footing the cash book and by checking a sufficient number of the entries against the freight abstracts in order to prove their correctness, particular

Footing of
Cash Book.

Date of
Cash Book
Entries—Veri-
fication of.

attention being given to note that the date of each entry in the cash book agrees with the date the items were actually collected. A very interesting description bearing upon the location of the actual date of collection appears in the method of checking remittances, but after all, the only satisfactory verification of this point is by direct confirmation, for which reason the paid bills secured from consignees in connection with the check for raised freight bills, should be checked into the cash book in order to confirm this fact as far as possible.

Actual Date
of Collection—
Verification of.

The practice of concealing default for the time being by rendering incorrect abstract totals, and concealing the discrepancy by incorrect cash book totals, will be revealed by this method, but not so the practice of introducing uncollected freight bills into the station balance, the waybills for which are held out of account, a form of manipulation employed for a similar purpose and which may also be concealed by false cash book totals or entries.

Manipulation
of Cash
Book Totals.

It is in order to overcome this last named means of manipulation that the plan of checking back the items in the station uncollected against the abstracts or station debit is recommended. It is an acid test that this form of default cannot withstand.

The same plan should be employed for auditing collections account of charges on shipments forwarded prepaid, freight bills received from other stations for collection, demurrage, etc.

(b) **TICKET SALES AND BAGGAGE COLLECTIONS:** The total of ticket sales and baggage collections for each day should be checked into the cash book for the purpose of ascertaining that no part of these receipts are unreported from day to day. The check of the stamped date described under the head of "Audit of Ticket and Baggage Account" will have previously designated the dates upon which the sales were actually made.

Ticket Sales
and Baggage
Collections—
Audit of.

The entries should be footed, and if found correct, will agree with the total of the ticket sales for the month, as represented by the stubs and total of one point tickets sold, plus corrections, if any are taken to account during the month.

Footing of
Ticket Sales.

(c) REMITTANCES: The audit of station remittances is not such a simple matter as may be supposed, for it is through the medium of this account that many of the most subtle devices are brought into play to conceal that condition which it is the object of the Railroad Traveling Auditor to detect.

Remittances—
Audit of.

The first thing to be done is to ascertain that proper receipts are held from the Express Company or Bank, or whatever medium is provided for the purpose of making remittances.

Receipts for
Remittances.

This can be done by checking the receipt or pass book against the credits claimed on the cash book, noting that same are entered as of the dates upon which the remittances were actually made. The practice of ante dating remittances in order to conceal excess cash balances being a feature to be observed in this connection.

The cash on hand at the time of the cut-off should be made up into a remittance and forwarded to the Treasurer or Bank before the Railroad Traveling Auditor leaves the station, and if the funds are to be exchanged at a local bank for a draft or exchange, and contain drafts or checks on local banks, other than the one at which the draft or exchange is purchased, these should be presented at the bank upon which they are drawn and the cash secured. This should be done in order to ascertain that such checks or drafts are bona fide. Checks or drafts drawn on banks not located at the point where the station is situated should be included in the remittance and sent to the Treasury Department for verification.

Remittance
of Cash
on Hand.

The composition of remittances should be checked against the records, and this plan will determine whether a "lapping" system is employed to conceal existing default. If, as should be, a duplicate or impression copy of remittance or deposit slip is kept on file showing the detail of items deposited or remitted each day, the Railroad Traveling Auditor should check the items so shown, with the items entered as collected on the cash book for the same day. This check should be made for no less than ten days of each month, and if it is found that such individual items correspond except for explainable differences, it may be accepted as assurance that the practice of "lapping" has not been indulged in; but if it is found that frequent variations exist between such items, as for instance, the following:

Composition
of Remittance
—Audit of.

Practice of
"Lapping"
Collections.

| RECEIPTS AS PER CASH BOOK | | DEPOSITS OR REMITTANCES AS PER SLIP | |
|------------------------------|---------------|----------------------------------------|---------------|
| June 10—Smith..... | 127.50 | June 10—Check Brown | 310.80 |
| Jones..... | 212.40 | " Riley.. | 18.20 |
| Robinson.... | 83.10 | " Smith. | 94.00 |
| | <u>423.00</u> | | <u>423.00</u> |
| OR: | | | |
| June 12—Brown..... | 76.00 | June 12—Smith..... | 227.50 |
| White..... | 83.80 | Roberts..... | 101.00 |
| Black..... | 160.00 | Gold..... | 150.00 |
| Moore..... | 182.30 | Silver..... | 23.60 |
| | <u>502.10</u> | | <u>502.10</u> |

In such cases the Railroad Traveling Auditor should realize that indications of "lapping" exist, and that current receipts have been utilized for the purpose of making remittances to cover amounts previously received, the accounting for which has been deferred, the sure indication of default.

Deferred
Accounting
for Collections

It is possible that occasional discrepancies of this nature may be legitimate, but if such discrepancies are frequent the Railroad Traveling Auditor should at once take steps to conduct a minute and searching investigation



ances surrounding collection, to definitely deciding the best possible.

Bit or remittance slips are taken, especially in the face of steps should be taken to get once from the bank or the Company, as the above record indicates intent matters from the knowledge of the Auditor. That the Auditor should at once get such knowledge without saying.

Copies of
Deposit o
Remittance
Slips—
Record of

the remittances are made in a local bank to the company, a statement of account from the bank for the month. The pass book is as a guarantee that the money has been deposited, for the Auditor has no pass book is the one to be used.

Pass Book
Audit of.

RECEIPTS AND DISBURSALS account of telegrams or storage or mis- should be checked into the account to ascertain that they are the date upon which they were made. The same should be followed in checking the use of scrip honored, for refunds, or freight for collection, for it is in mind that no surer is in default than the entries, which must be concealed it.

Miscellaneous
Receipts
Disburse
—Audit

and Traveling Auditor's efforts should be made to complete each portion of the report, for it should be that there is substantial

Safeguards
Record



into the circumstances surrounding collections, with a view to definitely deciding the true facts as soon as possible.

If copies of deposit or remittance slips are not kept at the station, especially in the face of rules to do so, steps should be taken to either secure them at once from the bank or the Treasurer of the Company, as the absence of such a vital record indicates intent to conceal or suppress matters from the knowledge of the Railroad Traveling Auditor. That the Railroad Traveling Auditor should at once take steps to share such knowledge without loss of time goes without saying.

Copies of
Deposit or
Remittance
Slips—
Record of.

At stations where the remittances are made by depositing the funds in a local bank to the credit of the Company, a statement of account should be requested from the bank for the period being audited. The pass book should not be accepted as a guarantee that the amounts claimed have been deposited, for the Railroad Traveling Auditor has no assurance that the real pass book is the one presented for his inspection.

Pass Books—
Audit of.

(d) MISCELLANEOUS RECEIPTS AND DISBURSEMENTS: All collections account of telegraph tolls, demurrage or storage or miscellaneous items, should be checked into the cash book in order to ascertain that they are correctly entered upon the date upon which the collections were actually made. The same procedure should be followed in checking credits account of mileage or scrip honored, remittances of cash papers, refunds, or freight bills sent to other points for collection, for it should always be borne in mind that no surer index points to existing default than the manipulation of cash book entries, which must invariably be made to conceal it.

Miscellaneous
Receipts and
Disbursement
—Audit of.

It should be the Railroad Traveling Auditor's object, and special efforts should be made towards this end, to complete each portion of the work at one sitting, for it should be borne in mind that there is substantial

Safeguarding
Records
During
Progress of
Audit.

danger in permitting anyone other than himself or assistants to have access to unfinished work during the course of an audit, who, for all he may know to the contrary, may change the figures during the progress of the work, if given an opportunity to do so.

The work should, therefore, be carefully safeguarded as it proceeds, and an effort should be made to retain for safekeeping all records or documents until they have answered their purpose. After the balance is secured the Railroad Traveling Auditor may cease to trouble about the material from which it is built up; it may be altered or destroyed, as far as he is concerned, for he holds the key to the entire situation. Such action upon the part of the defaulter merely has the effect of strengthening the Railroad Traveling Auditor's position.

Before taking leave of the cash book it is not out of place to state that the majority of railroad station cash books are not suitable for the recording of miscellaneous collections and disbursements. It will, therefore, occasionally be found inconvenient to follow out the preceding rule as literally as may be desired. However, as it is essential that the system of accounting should be adapted to the needs of the station, and not the station made to fit some cut and dried accounting system, the Railroad Traveling Auditor should be free to issue instructions and provide ways and means for the best arrangement of cash book entries for future reference. Such arrangements should, however, always be authorized in writing and reported to the Auditing Department for approval.

Form of
Station
Cash Book.

In all cases the additions should be checked and the "brought forwards" checked against the totals of the preceding page, as errors frequently occur in carrying totals forward. Also, it should be observed that the totals are carried forward into the proper columns, in order that the distinction between the different classes of collections may be preserved.

Carrying
Totals For-
ward in
Station Cash
Book.

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CHAPTER VI.
**AUDIT OF ACCOUNTS OF OTHER
COMPANIES.**

No audit is complete that does not embrace the accounts of any and all Companies which may be represented at the station, and it is the general rule at audits of stations handling the business of more than one Company, for the work to be performed simultaneously by the representatives of the various Companies interested. It sometimes occurs, however, owing to prearrangement or the necessity for immediate action or equally pressing reason, that the representatives of the other Companies cannot participate in the audit, or arrangements are made for the work to be performed by the Railroad Traveling Auditor.

Representatives of Other Companies at Audit.

Under such circumstances it is the duty of the Railroad Traveling Auditor to perform the necessary audit, and it should be done in a no less thorough and complete manner than if performed by the representative of the Company directly interested. In no other manner can the desired results be obtained.

The accounts of other Railroad Companies should be audited in the same manner as those of the Company which the Railroad Traveling Auditor represents, the rules laid down for his guidance in the work being observed in every particular, and a balance sheet should be prepared for the information of the Auditor of the Company interested. It should display the status of the account upon the completion of the audit and should accompany the Railroad Traveling Auditor's report. The balance due each Company should be carried to the balance sheet of the Company which the Railroad Traveling Auditor represents, and the debit so displayed should be offset by a credit consisting of the total funds of all Companies on hand at the time of the cut-off.

Audit of Accounts of Other Companies—How to Be Performed.

In this manner, and no other, the status of the account should be set forth. Defalcations upon such occasions necessarily have to be adjusted upon their merits, and if the amount is subsequently found to be irrecoverable, it should be prorated upon the basis of the cash balances due to the various Companies at the time it is discovered, unless actual responsibility is ascertained and the particular ownership of the amounts embezzled identified.

Settlement of
Defalcations
in Accounts
of Other
Companies.

ACCOUNTS OF EXPRESS COMPANIES.

The accounting systems provided by Express Companies for the use of their Agents vary to the greatest possible extent. Few, if any, Express Companies have made any attempt to introduce modern accounting systems so far as their agencies are concerned. This fact is of little interest to the Railroad Traveling Auditor; he must do the best he can with the system provided, and if he does not always secure the accurate results aimed at, the Express Company responsible for the condition should be expected to bear any losses occasioned by its loose and ineffective accounting methods.

Express
Companies—
Audit of
Accounts.

Express Companies' balance sheets are based upon the following accounts:

Basis of
Accounts of
Express
Companies.

- Charges on received waybills.
- Prepaid charges on forwarded waybills.
- Expense or advance charges forwarded.
- C. O. D. charges received for collection.
- Money orders sold or redeemed.

Funds on hand for forwarding to other points should not be overlooked, as such items might be included in the cash on hand at the time of the cut-off, and applied temporarily to cover default.

The form of audit provided for checking railroad accounts should be adhered to as far as possible, but where the form of accounts does not permit of testing balances and cash collections in the prescribed manner, the suggestions offered in connection therewith will

be found to apply in principle, and should be used in order to obtain the desired result.

Careful attention should be given to the reports of money order sales and C. O. D. collections. These accounts are often of considerable volume, and a detailed check and careful footing of money order and C. O. D. check stubs should be made for a period of no less than sixty days prior to the date of the audit. The application of collections to cover C. O. D. charges for the purpose of temporarily concealing default is not unknown and careful scrutiny should be given to such matters. Apparent or frequent delay in making returns of such collections frequently furnishes the clue to manipulations of this character.

Money Order
and C. O. D.
Reports—
Audit of.

A careful check should be made of all undelivered packages on hand, and charges on unreported waybills should be footed and charged to the account, the necessary steps being taken to verify any uncollected charges which might be outstanding.

Check of
Express
Company's
On Hand
Account.

In other respects the rules laid down for auditing the railroad account should be followed, particular attention being given to remittances in the manner prescribed under that head.

PULLMAN OR SLEEPING CAR COMPANIES.

The accounts of these Companies are generally very simple. They consist of the reports of sale of certain accommodations of a fixed value, the amounts of which generally appear upon the forms of transportation issued, with the exception of a few blank destination forms.

Sleeping Car
Companies—
Audit of
Account.

At the time of making the cut-off of the station account, the commencing number of all forms of parlor or sleeping car tickets on hand should be secured, as should the stubs of all tickets sold but not reported. At the first available opportunity a report should be rendered to cover all unreported business, and

Inventory of
Ticket Stock.



the ticket stock should be counted and inventoried. The reports and ticket stock should be checked, and the remittances audited, in the same manner and according to the rules laid down for performing similar work in the railroad account.

Care should also be taken to secure a record of all deposits which may be on hand to guarantee requests for reservations at future dates, and which have not been reported.

Pullman and Sleeping Car Companies as a rule provide regular forms to be used for the preparation of their reports. These should be used for rendering the report of the audit.

STEAMSHIP COMPANIES.

Steamship Companies frequently place a stock of their tickets in the hands of Railroad Agents for sale upon a commission basis, and while the amount of such sales is not as a rule very large in such cases, and as Steamship Companies generally require a remittance to accompany the request for reservations, such accounts should be thoroughly audited, and an inventory of the tickets on hand rendered, and the remittances carefully checked, for the reason that funds may be on hand at the time of the audit for which an accounting has not been made.

Steamship
Companies—
Audit of
Account.

TELEGRAPH AND TELEPHONE COMPANIES.

The tolls collected for this service form the basis of the account, and in the case of Telegraph offices authorized to accept or pay funds transmitted by wire, such items must be considered, and a careful check of message files and receipt books made to insure their proper accounting. In the case of doubt as to the proper accounting for funds received for transmission by telegraph, resort should be had to the officers of the Telegraph Company by means of the telegraph. Prompt and accurate information can always be secured by this means in a comparatively short time,

Telegraph and
Telephone
Companies—
Audit of
Account.

Funds
Transmitted
by Telegraph
—Audit of.

and Telegraph Companies prefer this form of check to all others in auditing such items.

The remittances should be checked in the usual manner, and proper reports should be rendered on the regular forms of the Telegraph or Telephone Company.

Automatic telephone stations speak for themselves.

ACCIDENT INSURANCE COMPANIES.

The accounts of Accident Insurance Companies consist of a report of sales of accident insurance tickets of a stated value. The form of tickets most generally used are provided with a stub having a perforated edge, which indicates the value of the detached ticket, or stubs similar in size and a duplicate of the original tickets, and upon which the value of detached tickets is indicated by punch marks. The value of all tickets sold and unreported should be computed and a report rendered, the stock inventoried and counted, and the remittances checked in the same manner as the railroad accounts.

Accident
Insurance
Companies—
Audit of
Accounts.

VENDING AND WEIGHING MACHINES.

The accounts of vending and weighing machines should be audited by computing the value of merchandise sold since last report. The unsold stock on hand should be counted and inventoried and checked against the invoices. Automatic registers are sometimes attached to this class of machine for the purpose of registering sales.

Vending
Machines—
Audit of
Account.

A report should be made showing the unreported sales, and the remittances should be checked in the same manner as those of the railroad.

The nature of the transactions forming the basis of the accounts of any other Companies which may be encountered, and of which there are many, too numerous to mention, will be found to provide the suggestions necessary for auditing their accounts.



The balances, if any, due from each Company represented at the station should be carried to the Railroad Traveling Auditor's final balance sheet, as should also the total amount of cash on hand, in order that the true status of the accounts may be displayed. This rule should also be followed when the audit of other Companies' accounts is performed by the representatives for such Companies, for the reason that it is equally important from the standpoint of the railroad's interests, to be informed as to the character of its Agents in any capacity in which they may be acting, and their shortcomings are equally inexcusable without regard to the Company to which they may be directly responsible.

**Statement
of Balances
Due Outside
Companies.**



CHAPTER VII.

SPECIAL CONSIDERATIONS AT AN AUDIT.

It was stated at the commencement of this work that the duty of a Railroad Traveling Auditor should not be confined to a mere mechanical audit of the correctness of the bookkeeping at a station. This is true, and in his capacity as expert on all matters pertaining to the conduct of a station he should investigate and report upon the following:

Other Con-
siderations at
an Audit.

STATION FACILITIES.

It frequently occurs that owing to increased business, a station building or grounds become too small or inadequate to properly care for the volume of business transacted. This condition results in dissatisfaction on the part of the public, and consequent loss of business if a competing line operates in the vicinity. In addition to this feature, property increases in value with the size of the community, and is correspondingly hard to secure.

Report on
Station
Facilities.

The fact that business is increasing beyond the facilities of the station is at once apparent to the Railroad Traveling Auditor, and his ability to analyze the accounts quickly displays to him the reasons for this condition and the probable extent to which it will grow.

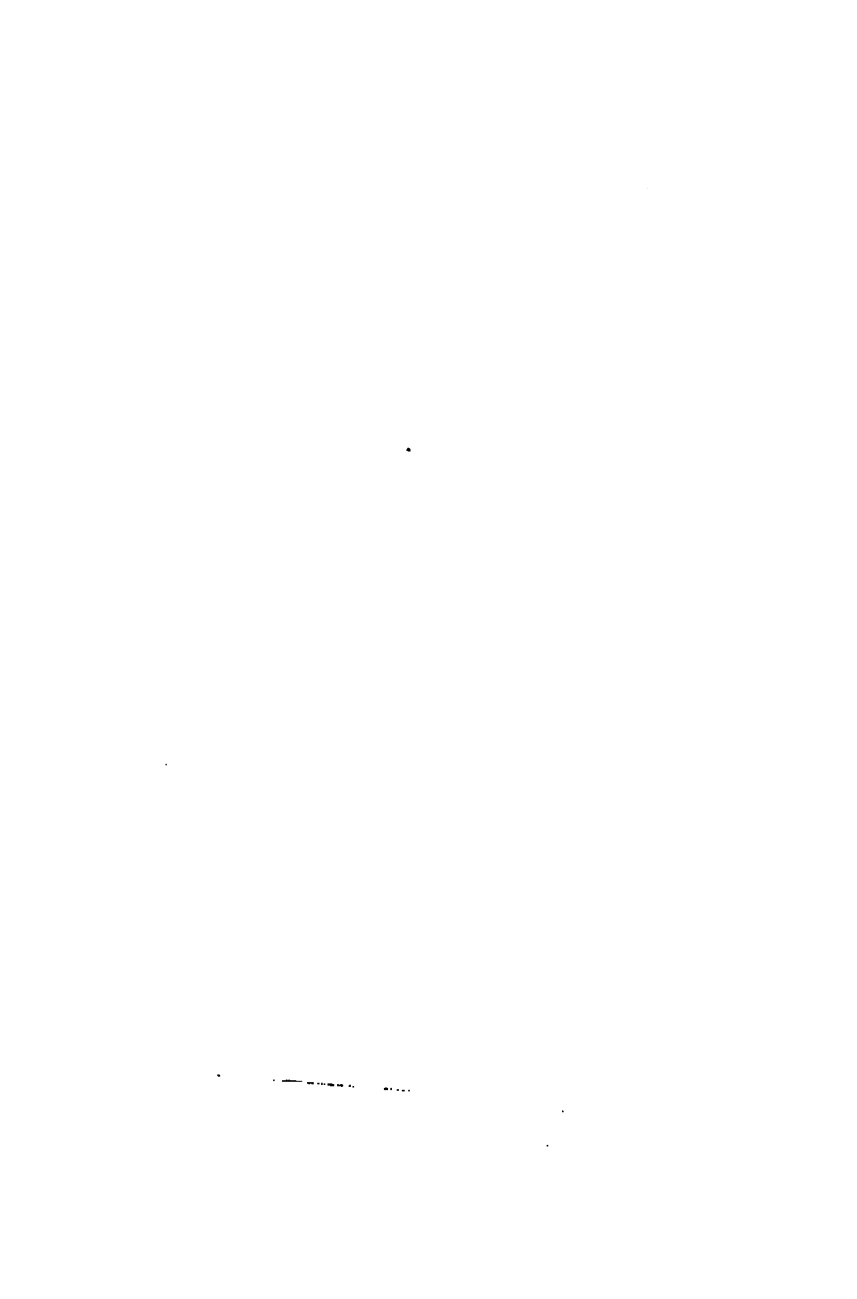
With this information at his command he should prepare a report, giving the necessary facts and figures to support it, in order that his line may be in a position to cope with such a situation at a minimum expense and loss of prestige.

In addition to this he should inspect the waiting rooms, platform and warehouse, etc., for the purpose of noting that they are maintained in a manner best calculated to please and attract patrons to the road.

Inspection
of Buildings,
Platforms, etc.

He should note that a supply of current time tables is on hand, and that correct and up-to-date train bulletins are displayed, and that the other facilities provided for the convenience of the public are in good order. Unfortunately, many things which appear

Consideration
of Traveling
Public.



vital to the traveling public are frequently neglected by railroads as not being essential features of operation, but in reality are a part of the stock in trade by which a railroad submits itself to the public for consideration, and by the absence of which it sometimes suffers to the extent of an appalling loss of business.

These features should be made the basis of a clear, concise and snappy report, and should in turn be forwarded by the Auditing Department to the head of the Department best calculated to act upon such matters, preferably the President of the road.

FIRE PROTECTION.

Facilities for fire protection should be carefully observed and tested if necessary, and a report should be made to cover any deficiencies noted in this respect, in order that they may be corrected. Hundreds of railroad stations burn down yearly in the United States which might be saved with proper fire protection.

Facilities
for Fire
Protection.

STATION RECORDS.

To no better advantage could the old saw, "Provide a place for everything, and keep everything in its place," be applied than to a railroad station, and as time progresses and the requirements relative to the preservation of records become more and more exacting, the greater will be the confusion if this matter is not promptly and efficiently handled.

Preservation
and Arrange-
ment of
Station
Records.

If the railroads of this country could have presented to them in concrete form a statement showing the value of time and effort expended per year by their employes in looking through improperly marked and filed records, it is safe to say that there would be such a revolution in the filing methods as would dwarf all past efforts at economy into insignificance.

Station
Service—
Complaints
Relative
There to.

As far as he can do so, it is the duty of the Railroad Traveling Auditor to improve this condition. He should make a report upon

the subject. Agents who maintain neat and complete record files should be commended; those who do not maintain proper record files should be caused to do so.

STATIONERY.

Many thousands of dollars can be and are tied up in surplus stationery stock at stations. No station should be permitted to carry a stock of stationery in excess of its requirements.

Stationery
Requisitions
and Supplies.

The Railroad Traveling Auditor should investigate and report upon this point, causing all stationery over and above the necessary amount required for the period preceding the next requisition to be returned to the Stationery Storekeeper.

TICKET DATERS AND PUNCHES.

Examine and report upon the condition of the ticket dater and punches. More than one damage suit has been based upon results following from imperfectly dated or punched tickets.

Inspection of
Dating Stamps
and Punches.

RIGHT OF WAY.

Make an examination of the right of way adjacent to stations, for the purpose of ascertaining that proper rentals are being charged and collected for the use of all railroad property occupied by warehouses, mills, elevators, factories, etc.

Examination
of Leases
and Rentals.

TRAFFIC SITUATION.

In no respect can the Railroad Traveling Auditor depart from his routine duties to such good purpose as into the traffic field. It is here that he can add to his ability as a conservator of the railroad's subsistence, that of the producer. He can from his knowledge of the business handled at any particular station go to shippers in full possession of the data necessary to talk intelligently and convincingly upon the subject of transportation, and his position with the Company adds the necessary weight to his arguments.

Attitude of
Railroad
Traveling
Auditor
Towards
Traffic
Situation.

In the dual capacity of Auditor and Solicitor he may kill two birds with one stone,

provide revenue for the line, and afterwards see that it is properly accounted for.

Some of the old accounting school will, no doubt, when reading this assertion give vent to a few good, old-fashioned sniffs, but the fact will still remain that business is business, regardless of who gets it.

It is not intended, of course, that the Railroad Traveling Auditor shall neglect his other duties in order to solicit business; it is not necessary that he should. Upon the occasion of his calls upon consignees for the purpose of verifying freight bills, a few minutes can be given to this feature, or after the completion of his work at the station and before the departure of his train. To the Railroad Traveling Auditor who aspires to advancement, no surer method can be selected than to demonstrate his ability to get business in addition to his other duties. A report should be made in each instance of any prospective business coming to his attention which may not be ready to move until a future date, or which can be secured by a call at a later date by a Traffic representative. It is all grist for the mill, and the result is spelled in dollars and cents.

Time Suitable for
Attention to
Traffic
Matters.

Other features too numerous to mention will, from time to time, come to the attention of the wide-awake Railroad Traveling Auditor; one and all should be given the benefit of his knowledge and training, and it is safe to say that if he applies to the consideration of them that good sense and judgment which is one of the necessary perquisites of the profession, it will not be long before he is in possession of an established reputation for ability which will hold him in good stead. Emerson's advice is offered to all Railroad Traveling Auditors:

Perquisites
of the
Profession.

"Don't waste life in doubts and fears; spend yourself on the work before you, well assured that the right performance of this hour's duties will be the best preparation for the hours or ages that follow it."



CHAPTER VIII.

FORM OF BALANCE SHEET—TRAVELING AUDITOR'S REPORT OF EXAMINATION OF STATION.

In order that the result of the audit may be displayed to the best advantage, a special balance sheet should be used by the Railroad Traveling Auditor.

The form best suited for this purpose should conform with the system of station accounting employed upon the railroad adopting it, and the titles of the various accounts should be described in the same manner as those appearing upon the regular daily or monthly balance sheet rendered by the station.

Description
of Form
of Check
Balance
Sheet.

All entries appearing upon the Railroad Traveling Auditor's balance sheet should be supported by an analysis of the corresponding account, prepared from the station records, as, for instance, an abstract of unreported way-bills, a ticket report to cover all sales not previously reported to the Auditor, and similar reports of other unreported business, each of which should be added to separate recapitulations of reports of the same character previously rendered during the current month.

Supporting
Analyses of
Accounts
Required.

The necessity for requiring supporting analyses of the various accounts for the current month, in addition to the audit made at the station, is based upon the fact that same should be used by the Auditor of the road for the purpose of checking rates, etc., an extent to which the Railroad Traveling Auditor's audit does not extend.

The balance sheet of the station for the previous month should be audited by the Railroad Traveling Auditor, if notice has not been received by him that this has already been done by the Auditing Department of the road.

If it is practicable for the Auditing Department to do this before the audit is commenced, and furnish a list of discrepancies (if any exist) to the Railroad Traveling Auditor making the audit, the efficiency of

Preliminary
Advice to
Be Secured
Before Com-
mencing an
Audit.

1000

the Railroad Traveling Auditor is correspondingly increased both from the point of view of the time saved and the reliable character of the information with which he is supplied.

Unfortunately little effort is made as a general rule to assist the Railroad Traveling Auditor in this manner; he is generally left to his own devices, and, needless to say, should suffer the consequences of any neglect for which he may be responsible. A condition which the thorough and capable man will be careful to see never overtakes him, for it must always be borne in mind that the certification of a balance sheet involves the thorough examination and exhaustive testing of every account at the station. Failure to take this precaution has left the door open for many serious frauds and defalcations.

Furthermore, it should be remembered that the mere legal responsibility is not the full measure of the duties of the Railroad Traveling Auditor, and few Railroad Traveling Auditors would consider that they had fulfilled all of their moral obligations by the mere execution of their legal duty.

Legal
Responsibility.

A great deal has been said pro and con with regard to the nature of the record in the shape of copies of balance sheet, reports, etc., which the Railroad Traveling Auditor should leave at the station or copy in the station impression book. It is claimed by some that copies of such reports, especially ticket inventories and reports, are of considerable assistance to the Railroad Traveling Auditor who may next have occasion to audit the account. On the other hand, the fact of having such data available is apt to encourage the succeeding Railroad Traveling Auditor to accept it as implying that the matters as set forth therein have been duly attended to and require no attention on his part, a practice which results sometimes in the duplication of errors on his part, a condition which can-

Record of
Audit at
Station.

not be too highly deprecated. Also in the case of a defalcation it does not appear fair to display for the benefit of succeeding generations of station employes the shortcomings or misfortunes of their predecessors.

Few, if any, defaulters would not willingly make reparation if it were possible to do so, in order to restore their good name—and who would be so unthinking as to add unnecessarily to their humiliation by making a semi-public document out of such capital? No Railroad Traveling Auditor worthy of the name would thinkingly do so, and, therefore, his reports should not be copied at the station if he wishes to avoid appearing unduly harsh in his attitude towards his fellow employes.

Attitude
Towards
Defaulters.

TRAVELING AUDITOR'S REPORT OF EXAMINATION OF STATION.

The last and most important duty of the Railroad Traveling Auditor before leaving a station is the preparation of his Report of Examination.

Please note that particular stress is laid upon the time and place for the preparation of this report, for in order that justice may be done to all matters upon which the report should dwell, it is no more than fair that it should be dictated upon the scene of the transactions which it depicts; for only under such circumstances can true attention to detail be observed, and if doubt exists upon any particular point, it must be cleared up by further investigation before the report is penned. The interests of both the Company and the Agent demand absolute accuracy in every statement, no matter how trivial, and the consequences which follow careless errors or misstatements are too well known to need repeating here. Therefore, it will be well for the Railroad Traveling Auditor who may have depended upon notes or memory for the subsequent preparation of his

Time and
Place for
Preparation
of Report of
Examination.



Report of Examination, to at once discontinue the practice, as such methods are unfair to all concerned.

As for the report itself, it is everything that the term implies; it is the medium by which the Railroad Traveling Auditor demonstrates his ability to form accurate and intelligent opinions in respect to the matters entrusted to his charge. It is the only medium by which he can hope to obtain a reputation for care, skill and caution, and the only opportunity for displaying the possession of those desirable qualifications, without which he can never hope to succeed in the profession which he has chosen.

Nature of
Report of
Examination.

It should display the application of those qualities which no Railroad Traveling Auditor should be without: industry, patience, judgment, good temper, tact, discretion, firmness, fairness, courage, integrity and reliability. In a nutshell, all of those qualifications which make up the good business man are equally essential in the good Railroad Traveling Auditor.

Qualifications
of a Railroad
Traveling
Auditor.

The position of Railroad Traveling Auditor calls for an extent and variety of information and knowledge to which no one has yet attempted to set the limit. It may be said, also, that the remuneration is moderate and the duties arduous.

It should, therefore, be the aim of the Railroad Traveling Auditor to incorporate in his Report of Examination everything that his knowledge and ability can suggest, ever remembering that "With what measure ye mete, it shall be measured to you again."

A sample form is offered as a suggestion for the basis of this report, and while the advantage of following a prescribed form will, of course, be best appreciated by those to whom the report is rendered, the advantage will not be altogether on that side, for the reason that with the assistance of a prescribed

Form of
Report of
Examination.



form the Railroad Traveling Auditor will be less likely to overlook a subject which should have received his attention, and from investigation of which much good might have resulted at the time.

It is but fair to remark that wide differences of opinion exist with regard to the use of a prescribed form for this purpose. Some Railroad Traveling Auditors welcome uniform methods in certain branches of their work, others oppose them, claiming individuality should be permitted to govern their observations. Individual choice and opinion will, therefore, be left to decide this question. Certainly the results will indicate to the Auditor of the line the plan under which the greatest efficiency is obtained, and if the suggestion is not adopted as a whole, nothing will be detracted from its value, if its consideration results in the use of a uniform method of rendering the Railroad Traveling Auditor's Report of Examination based upon the requirements of the duties assigned to the position.

Opinions as
to Form of
Report of
Examination.

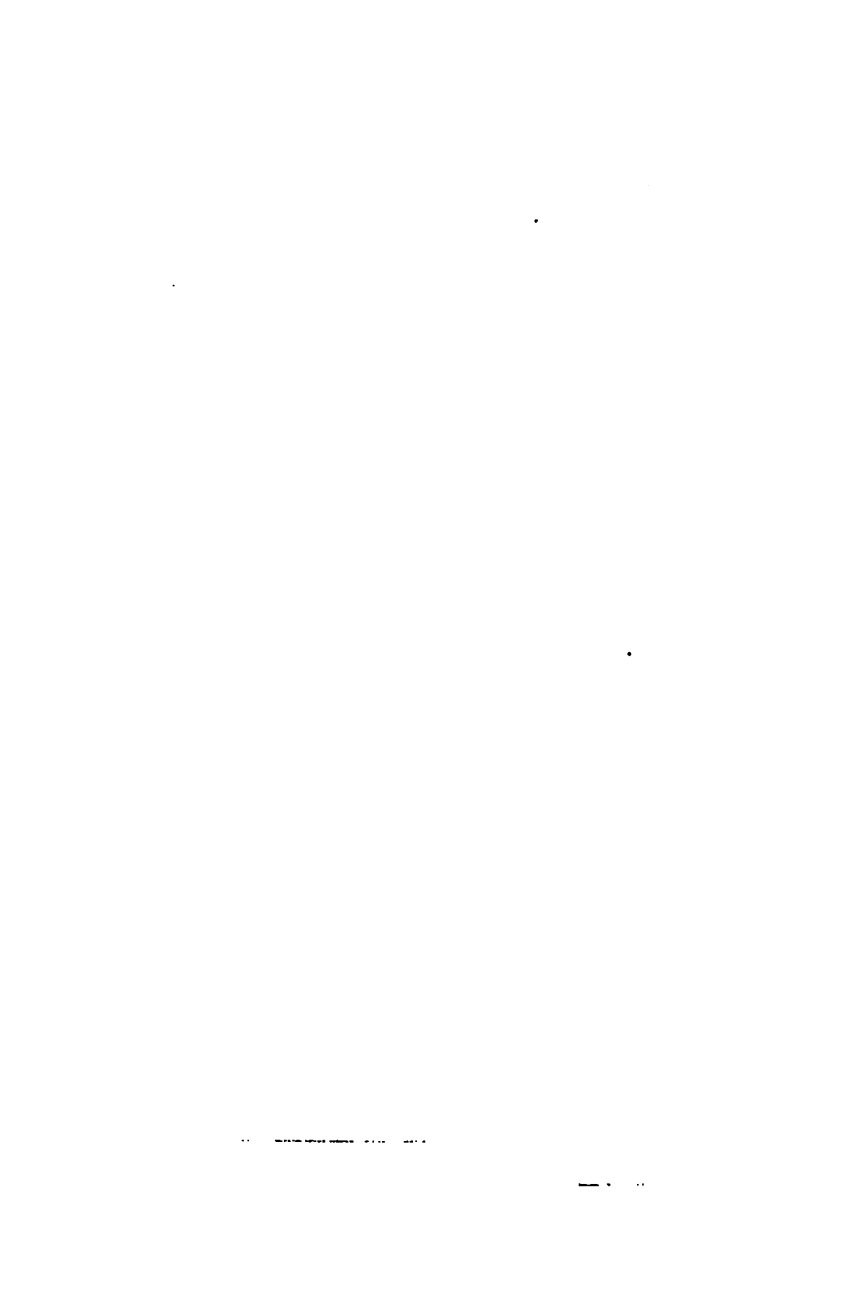
However, the abandonment of the consideration of a prescribed form of report is not justified, as some may contend, owing to the length of time required for its preparation. The practice of leaving a station before the entire field of operations has been covered is entirely too prevalent, and whether this is the result of either choice or necessity, no justification can be offered in the face of results which frequently ensue.

Time to
Leave
Station.

In such instances not only does the Railroad Traveling Auditor fail in his duty to his Company, but also to the Agent whose accounts he has audited.

Agents depend upon the Railroad Traveling Auditor's wider and more extensive knowledge of conditions to assist them in the perfection of their station methods and organization, and to safeguard them by this means against their subordinates. This is especially

Assistance
Which May
Be Given
at Stations.



true at large stations, and it would ill befit a Railroad Traveling Auditor to fail in this most important duty, and to what good purpose he has performed it can be reflected to no better advantage than in his Report of Examination.

It will, of course, be appreciated that the subjects selected for examination as set forth in the following list, are arranged with a view to covering the entire field of operations. At stations where any of the subjects do not apply, reply to the questions pertaining thereto can, of course, be omitted. However, in order to indicate that the matter has not been overlooked, it is better to note "Does not apply" opposite questions of this character. It is then apparent that all of the ground has been covered.

Field Covered
by Report of
Examination.

Upon receipt of the Railroad Traveling Auditor's account of examination, it of course becomes the duty of the Company's Auditor to take such action as may be necessary to give the report full force and effect. As to how this can best be done forms no part of a Railroad Traveling Auditor's work. It suffices to say, however, that every point should be acted upon if the results anticipated are to be obtained.

Subsequent
Action
Dependent
Upon Report
of Examination.

A sample form offered for consideration follows:

TRAVELING AUDITOR'S REPORT OF EXAMINATION
OF STATION.

.....Station.191..

(Reply must be made to every question.

If space is not sufficient, make reply on
blank sheet, quoting the question.)

Date of last examination.

Agent's name in full.

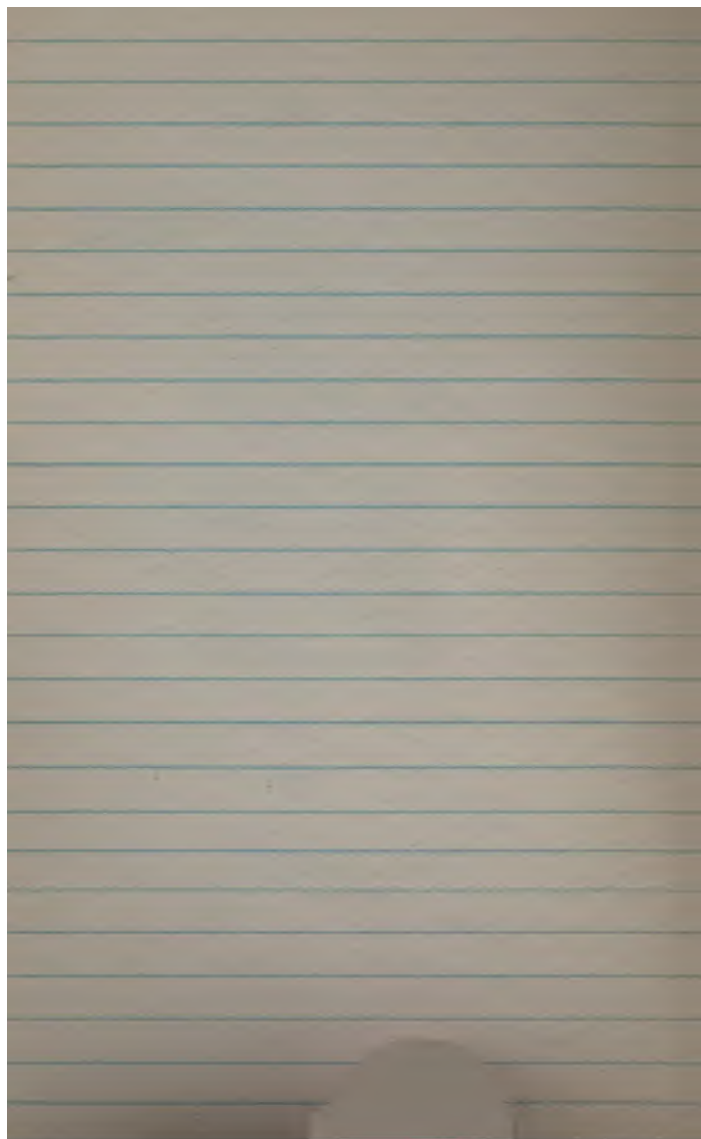
State whether Agency is

Commercial,

Freight,

Local Ticket,

Interline Ticket,



Commercial Telegraph,
Railroad Telegraph,
Express,
Post Office.

Are the station buildings, platforms, etc., sufficiently large and commodious?

Are separate buildings provided for freight and passenger stations?

Do they meet all requirements of the business?
If not, in what respect should they be improved?

Are the premises kept in a tidy condition?

State condition of
Office,
Waiting Room,
Baggage Room,
Warehouse,
Platform and Station Grounds,
Toilets.

Is janitor service provided?

If so, to what extent?

Is station platform properly lighted?

Is station equipment in good order, full and complete for all requirements?

If not, give list of exceptions.

What additional facilities, if any, are needed, and for what purpose?

What facilities are furnished for fire protection? State condition.

Are water barrels full and provided with fire buckets and covers?

Is hydrant and hose regularly tested?

At what intervals?

Date fire extinguishers recharged.

Is station provided with ladder?

Is ladder kept in proper place?

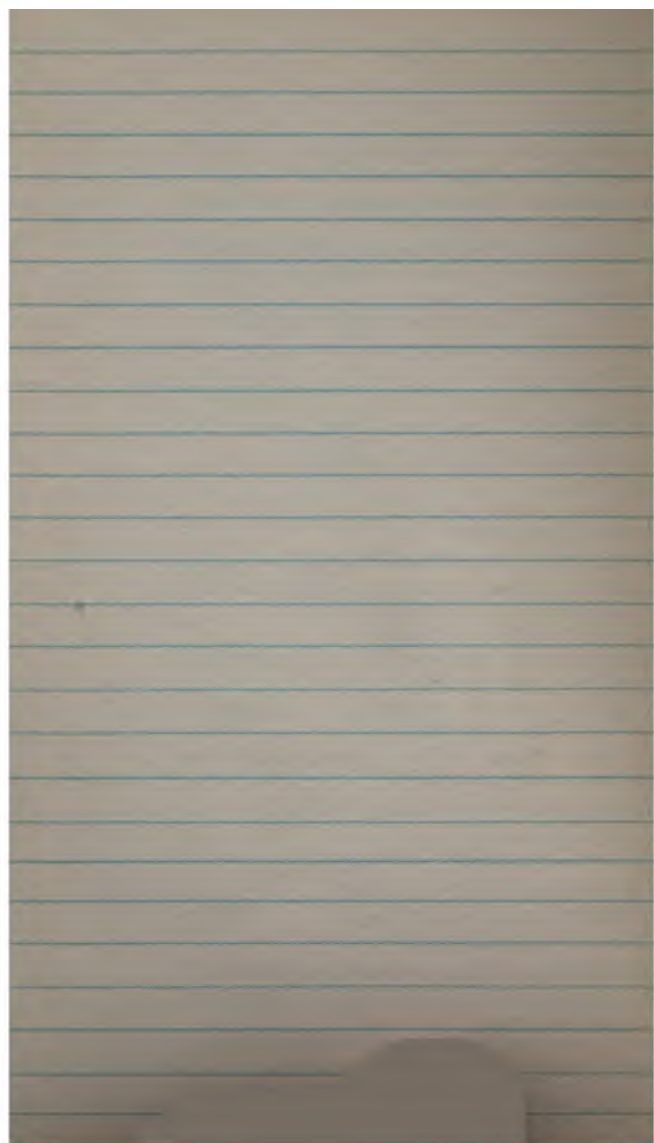
Is fire protection adequate?

Are station records properly marked and filed?

Are proper facilities provided for the filing of station records?

If not, in what respect are they inadequate?

Give an outline of facilities needed.



Are there living rooms in station?
How many?
By whom occupied?
Are fuel and light furnished free?
Is station provided with safe?
Whose make? Number?
Key or combination?
To whom is the combination known?
Condition?
To whom does it belong?
Are adequate facilities provided for the safe-keeping of
Cash?
Tickets?
If not, what additional facilities are needed?
Are the proper facilities provided for the care of stationery stock?
Does Agent keep stationery stock neatly and properly arranged?
Any surplus or obsolete stationery on hand?
Should it be returned to the Stationery Store-keeper? If so, attach list.
Date Agent entered service.
Date Agent took charge of station.
Agent's office hours.
Agent's salary.
Average amount per month of express commissions retained by Agent.
Average amount per month of post office commissions retained by Agent.
Income from other sources.
Total income.
If Agent does not retain all of the commissions, with whom does he divide them, and what proportion does he allow?
What is his financial responsibility so far as is known?
Is Agent engaged in any other business?
If so, to what extent?
Does it interfere with his duties as Agent?

Is Agent married or single?
 Age.
 State physical defects, if any.
 Is he an Operator?
 Is he neat in appearance?
 What are his habits?
 Disposition?
 Natural ability?
 Education?
 Reputation?
 Is he progressive?
 Attentive to duty?
 Neat and systematic?
 Courteous and popular?
 What is your opinion of his ability?
 In an executive capacity?
 In a clerical capacity?
 In a soliciting capacity?
 Is he familiar with all classes of tickets?
 Is he familiar with tariffs and classifications?
 Is he fully competent to fill present position?
 Is he competent for promotion?
 Along what lines, either as the result of past
 experience or natural tendencies?
 Give a brief outline of duties attended to
 personally by Agent.
 Make a special report on the qualifications
 of each employe at the station (other than
 Agent), giving the same information as
 for Agent.

PASSENGER DEPARTMENT.

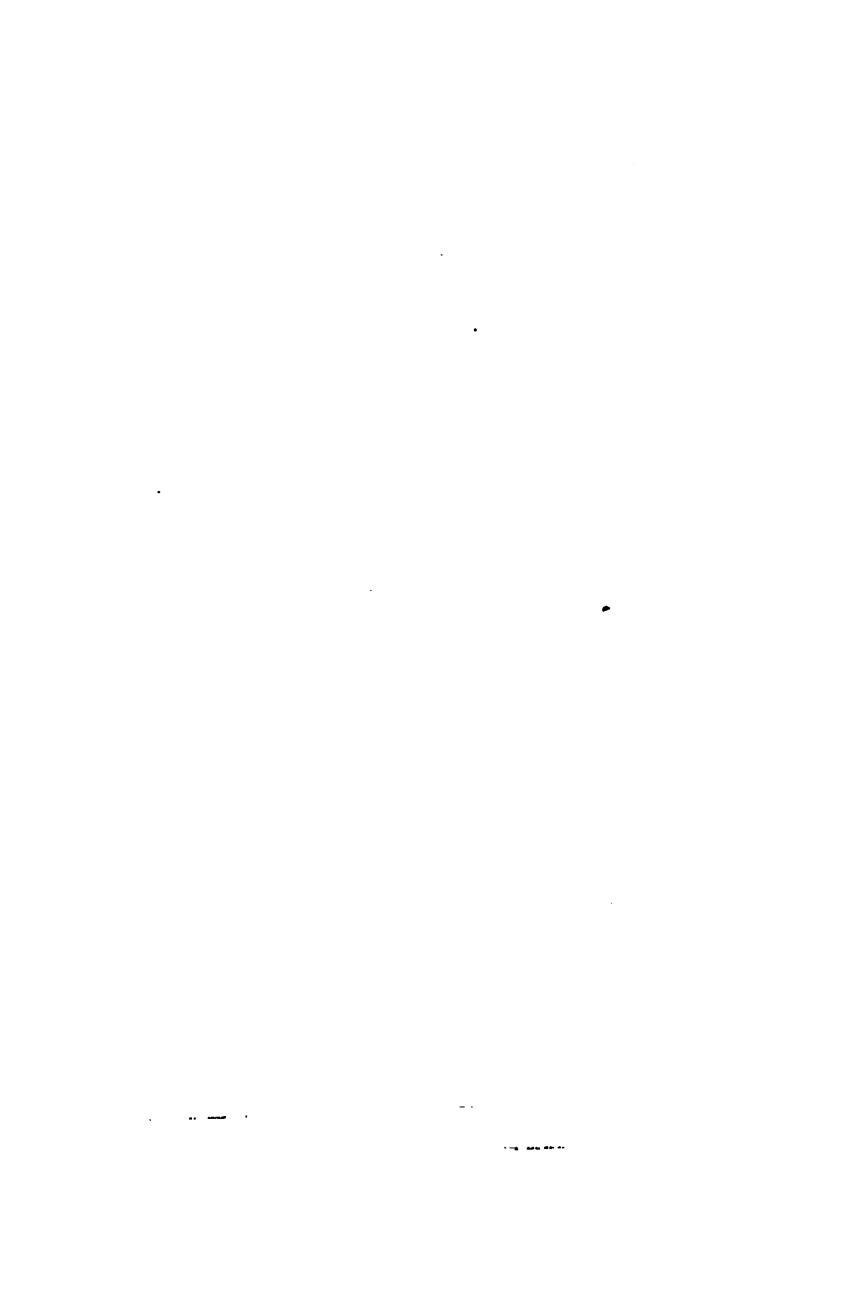
Give number of tickets sold and amount of
 ticket sales for past three months.

| | NO. | AMOUNT | NO. | AMOUNT | NO. | AMOUNT |
|--------------|-----|--------|-----|--------|-----|--------|
| Local..... | | | | | | |
| Interline... | | | | | | |

Does Agent keep tickets and baggage checks
 securely and in good order?



- Is ticket dater in good condition?
- Are ticket and baggage punches in good condition?
- Is ticket stock in excess of the requirements of the station?
- If so, attach list of forms.
- Give list of any obsolete ticket forms on hand.
- Is station adequately supplied with current time tables and advertising literature?
- Is Train Bulletin Board revised promptly, and movements of trains correctly displayed?
- Are posters and notices on waiting room bulletin neatly and tastily displayed, and obsolete posters removed?
- Is waiting room properly heated in cold weather?
- Are toilets accessible to passengers at least 30 minutes before train time?
- Are ticket window and baggage room opened sufficiently in advance of trains to accommodate all passengers?
- If a local office, is Agent familiar with arrangements for securing sleeping car reservations?
- How to obtain coupon tickets?
- Is waiting room supplied with properly cooled drinking water and cups?
- Did you count the stock of local and interline tickets on hand?
- Did you find any tickets that had been stamped or otherwise bore evidence of having once been sold?
- Is baggage checked and delivered promptly?
- Is baggage carefully handled and properly protected?
- If not, give particulars of exceptions.
- Are the stripped checks immediately matched, canceled and forwarded promptly to the General Baggage Agent?
- Are storage checks being placed on baggage in accordance with instructions?



Are there any odd, mismatched, old checks, old waybills, forwarding sheets, lost check receipts, etc., on hand?

(If so, send them to General Baggage Agent, with letter of explanation.)

Is all baggage handled at station checked against waybills?

Is there a copy of Baggage Rules and Instructions on file, and are all employes whose duty requires them to handle baggage familiar with instructions therein?

Who carries the mail?

By whom is he employed?

What amount, if any, is paid for this special work?

What is the distance from the station to the Post Office?

How many trips made daily?

Number of sacks of mail handled to and from Post Office.

FREIGHT DEPARTMENT.

Give amount of freight receipts and tonnage for past three months.

| | 19.. | 19.. | 19.. |
|-----------------------|------------|------------|------------|
| Freight Receipts..... | | | |
| Tons..... | | | |

Give the names of non-agency stations for which this station transacts business.

Are you satisfied that all revenue due the Company from such business is accounted for?

Are the daily and monthly lists of uncollected bills made out correctly?

Did Agent claim credit for any uncollected bills for freight wholly or in part delivered to consignees?

If so, did you satisfy yourself that such bills had not been paid?

Is Agent making delivery of freight without collection of charges to consignees who have not made proper arrangements therefor?



Is Agent familiar with tariff provisions requiring prepayment or guarantee to cover charges on perishable freight or freight of other character offered for shipment which would not realize freight charges if sold at forced sale?

Is Agent prompt in collecting freight bills?

Are receipts taken on proper forms for all amounts paid out?

Have you any reason to think that waybills are suppressed or held back and proceeds used to reduce Agent's balance?

Did you check car records to satisfy yourself that this is not being done?

Is L. C. L. merchandise unloaded and delivered promptly?

Is freight properly classified, are charges correctly assessed, and freight bills issued promptly?

Are waybill correction notices reported promptly?

Are refunds made promptly?

Is there some one on hand in warehouse at all times during business hours to receive and deliver freight?

Are estimated weights on carload shipments moving on Company waybills being carefully made where the shipments are not track scaled en route?

Is proper care being used to obtain the correct weight of freight received or forwarded?

Is outbound freight correctly classified and waybilled?

FREIGHT CLAIM DEPARTMENT.

Are claims received direct from claimants, properly recorded and promptly submitted to Freight Claim Agent?

How many such claims on hand?

Give dates received by Agent.



Advise if correspondence relative to numbered claims and direct claim inquiries is handled promptly; if not, give reference to delays.

How many on hand?

Give claim numbers and dates received of any on hand over 48 hours.

DIRECT INVESTIGATIONS WITH FOREIGN ROADS.

Does Agent understand necessity for prompt replies, and that failures will penalize the Company under Freight Claim Association rules?

OVER FREIGHT.

Any with marks for other stations?

Why not forwarded to marked destination?

Any without marks?

Is it properly tagged with Over Tag?

Has Over Report been made thereon?

Is Agent familiar with Freight Claim Association Loss and Damage Rule 23 pertaining thereto?

BAD ORDER FREIGHT.

Does Agent understand the Company is not anxious to sell for salvage, but willing instead to make reasonable arbitrary allowance for damage?

Do records show that Damaged Reports are being issued promptly? If not, cite delays that are apparent.

Is Agent making Special Reports of extraordinary and persistent cases of pilferages?

PERISHABLE FREIGHT ON HAND REFUSED, ETC.

Is Agent familiar with Freight Claim Association Loss and Damage Rule 25 pertaining thereto?

Does he understand Company's interest must be protected by disposing of shipment for account of whom it may concern if delay dangerous—if necessary using long distance telephone in important cases to obtain disposition?

Is freight checked carefully as received, and all exceptions endorsed on bills of lading?

Are waybills checked against shipping tickets to insure correct billing?

What is condition of seal record?

Does Agent check freight to draymen and take receipt at time of delivery?

If not, why, and what is method of procedure?

ICING RECORD.

Is Agent keeping record of ventilating instructions and position of vents, plugs and seals on cars containing perishable freight under ventilation?

MISCELLANEOUS.

Are the records and reports of Express Company neatly and promptly rendered?

Is the business of Express Company promptly and efficiently transacted?

Are proper facilities provided for the handling of Express Company's business?

Are records and reports of Telegraph Company neatly and promptly rendered?

Is the business of Telegraph Company promptly and efficiently transacted?

Give average number handled monthly of
Commercial Messages,
Company Messages,
Train Orders.

Who delivers commercial telegrams?

By whom is he paid?

Amount of salary paid?

Examine message files and attach copies of Company telegrams which in your judgment would have served the Company's interest if sent by train mail, or appear unnecessarily long.

Are any special reports being made?

If so, attach sample of each report and state to whom sent.

Is same information being reported to several departments or offices on different kinds of reports?

If so, give form numbers and state to whom the reports are sent.

What is the population of the town?

Is it increasing or decreasing, and to what extent?

What is the tributary population?

Is it increasing or decreasing, and to what extent?

What is the distance of station from town?

Number of stores?

Number of newspapers?

Number of hotels?

Number of churches?

Number of schools? (Describe them.)

Number of banks?

Number of saloons?

What are the manufacturing or other industries?

Briefly describe any public improvements under way or contemplated.

Is it a summer or winter, pleasure or health resort?

Give names of adjacent dependent towns.

What are the manufacturing or other industries of adjacent dependent towns?

What do the principal carload shipments forwarded consist of?

What do the principal carload shipments received consist of?

Is Agent promptly notifying Traffic Department and all concerned of new industries contemplated or started?

Are there any prospects for new business at this point, either freight or passenger?

What, if anything, has been done to secure it?



What competition exists at this point:

Rail,
Electric,
Boat,
Stage.

Is the Company getting a fair share of competitive traffic, both freight and passenger?

Are any of our competitors obtaining a greater share of competitive traffic?

If so, why?

What, if any, suggestions can be offered for the betterment of the service, with a view of increasing traffic from this station?

Is the force properly organized?

If not, state what changes in organization you think should be made.

Is there any one handling cash at the station whom you do not esteem trustworthy?

If so, give name and reason.

Does Agent give prompt attention to correspondence?

From your examination of the station accounts, is it your opinion that Agent is familiar with Accounting Department requirements and is endeavoring to comply with them?

From your examination of the station, is it your opinion that Agent is familiar with Rules and Regulations of the Transportation Department and is endeavoring to comply with them?

Are the business men of the community satisfied with the manner in which the station is conducted, both from the standpoint of passenger and freight service?

If not, give a brief outline of any apparent deficiencies in the service of which they may complain.

REMARKS.

This check was commenced atM. and completed atM.,191..

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Traveling Auditor.

THE
RAILROAD TRAVELING AUDITOR'S
WORK AND METHODS

THEORY AND PRACTICE